FINAL OFFICIAL STATEMENT DATED APRIL 20, 2015

NEW ISSUERATINGS: Fitch Rated "AAA"

Moody's Rated "Aa1" Standard & Poor's Rated "AA+" (See "RATINGS" herein)

In the opinion of Foley & Lardner LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel, under existing law and assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Obligations is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the Obligations will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The District will NOT designate the Obligations as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "TAX STATUS" herein for a more detailed discussion of some of the federal income tax consequences of owning the Obligations. Interest on the Obligations is not exempt from current State of Wisconsin income or franchise taxes.

\$100,000,000 MILWAUKEE METROPOLITAN SEWERAGE DISTRICT General Obligation Promissory Notes, Series 2015A

Dated: May 11, 2015 Due: As Shown Herein

The \$100,000,000 General Obligation Promissory Notes, Series 2015A (the "Obligations") will be dated the date of issuance and will mature serially on October 1 as shown herein. Interest shall be payable on each April 1 and October 1, beginning on October 1, 2015. U.S. Bank National Association will serve as paying agent for the Obligations.

The proceeds of the Obligations will be used for the purpose or purposes of financing portions of the District's capital budget for the years 2014 through 2016 and certain other expenditures of the District (See "THE RESOLUTIONS" herein.)

The Obligations maturing on or after October 1, 2026 are subject to redemption before their stated maturity dates, at the District's option, in whole or in part, in the order of maturity selected by the District, on October 1, 2025 or on any date thereafter. The redemption price will be 100% of the principal amount redeemed, plus accrued interest to the redemption date, and no premium will be paid. (See "REDEMPTION PROVISIONS" herein.)

The Obligations are being issued pursuant to Sections 67.12(12) and 200.55(2) of the Wisconsin Statutes and shall be general obligations of the District for which its full faith and credit and unlimited taxing powers are pledged. The District will levy a direct, irrepealable tax on all taxable property within the District sufficient to pay the interest on the Obligations as it falls due and to pay the principal thereof at maturity.

The Financial Advisor to the District is: ${f BAIRD}$

The Obligations will be issued only as fully registered notes and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Obligations. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any multiple thereof. Purchasers of the Obligations will not receive certificates representing their interest in the Obligations purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The Obligations are offered when, as and if issued subject to the approval of legality by Foley & Lardner LLP and Gonzalez Saggio & Harlan LLP, Co-Bond Counsel. The anticipated settlement date for the Obligations is on or about May 11, 2015.

Citigroup

\$100,000,000 MILWAUKEE METROPOLITAN SEWERAGE DISTRICT General Obligation Promissory Notes, Series 2015A

Due: October 1 of the years 2018 through 2034 Callable: October 1, 2025

MATURITY SCHEDULE

				CUSIP (1) Base					CUSIP (1) Base
(October 1)	<u>Amount</u>	Rate	Yield	602409	(October 1)	<u>Amount</u>	Rate	<u>Yield</u>	602409
2018	\$4,330,000	3.00%	1.09%	HT4	2027	\$6,100,000	4.00%	2.70%	JC9
2019	4,415,000	3.00	1.31	HU1	2028	6,280,000	4.00	2.85	JD7
2020	4,550,000	4.00	1.50	HV9	2029	6,470,000	4.00	2.91	JE5
2021	4,730,000	4.00	1.70	HW7	2030	6,665,000	3.00	3.10	JF2
2022	4,965,000	4.00	1.93	HX5	2031	6,880,000	3.50	3.33	JG0
2023	5,215,000	4.00	2.10	HY3	2032	7,105,000	3.50	3.39	JH8
2024	5,475,000	4.00	2.23	HZ0	2033	7,390,000	3.50	3.43	JJ4
2025	5,750,000	4.00	2.33	JA3	2034	7,760,000	3.50	3.47	JK1
2026	5,920,000	4.00	2.53	JB1					

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MILWAUKEE METROPOLITAN SEWERAGE DISTRICT, Milwaukee, Ozaukee, Washington and Waukesha Counties, Wisconsin

COMMISSIONERS

Ben Gramling, Chair
John R. Hermes, Vice Chair
Lyle A. Balistreri, Commissioner
James A. Bohl, Commissioner
Milele A. Coggs, Commissioner
Nikiya Harris Dodd, Commissioner
Carl F. Krueger, Commissioner
Eugene Manzanet, Commissioner
Kris Martinsek, Commissioner
Leon A. Saryan, Ph.D., Commissioner
Michael A. West, Commissioner

DISTRICT STAFF

Kevin L. Shafer, P.E., Executive Director Susan Anthony, Director of Legal Services Anna Kettlewell, Commission Secretary/Executive Administrator Michael J. Martin, P.E., Director of Technical Services Mark T. Kaminski, Controller and Treasurer

PROFESSIONAL SERVICES

Financial Advisor: Robert W. Baird & Co., Milwaukee, Wisconsin

Co-Bond Counsel: Foley & Lardner LLP and Gonzalez Saggio & Harlan LLP

Paying Agent: U.S. Bank National Association

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement is being distributed in connection with the sale of the Obligations referred to in this Official Statement and may not be used, in whole or in part, for any other purpose. No dealer, broker, salesman or other person is authorized to make any representations concerning the Obligations other than those contained in this Official Statement, and if given or made, such other information or representations may not be relied upon as statements of the Milwaukee Metropolitan Sewerage District, Wisconsin (the "District"). This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Obligations by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale.

Unless otherwise indicated, the District is the source of the information contained in this Official Statement. Certain information in this Official Statement has been obtained by the District or on its behalf from The Depository Trust Company and other non-District sources that the District believes to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information. Nothing contained in this Official Statement is a promise of or representation by Robert W. Baird & Co. Incorporated (the "Financial Advisor"). The information and opinions expressed in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of the District or other information in this Official Statement, since the date of this Official Statement.

This Official Statement contains statements that are "forward-looking statements" as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Official Statement, the words "estimate," "intend," "project" or "projection," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties, some of which are discussed herein, that could cause actual results to differ materially from those contemplated in such forward-looking statements. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Official Statement.

This Official Statement should be considered in its entirety. No one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports or other documents are referred to in this Official Statement, reference should be made to those documents for more complete information regarding their subject matter.

The Obligations will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity shall have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITERS MAY OR MAY NOT OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE OBLIGATIONS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE OBLIGATIONS ARE RELEASED FOR SALE AND THE OBLIGATIONS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE OBLIGATIONS INTO INVESTMENT ACCOUNTS.

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Appendix A: Basic Financial Statements and Related Notes for the year ended December 31, 2013 and Draft/Unaudited Statements of Net Position and Draft/Unaudited Statements of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2014

Appendix B: Form of Legal Opinions
Appendix C: Form of Continuing Disclosure Agreement

SUMMARY

District: MILWAUKEE METROPOLITAN SEWERAGE DISTRICT, WISCONSIN.

Issue: \$100,000,000 General Obligation Promissory Notes, Series 2015A.

Dated Date: May 11, 2015.

Interest Due: Each April 1 and October 1, beginning on October 1, 2015. Interest on the Obligations

will be computed on the basis of a 360-day year of twelve 30-day months.

Principal Due: October 1, 2018 through 2034.

Denominations: \$5,000 or multiples thereof.

Redemption Provisions: The Obligations maturing on or after October 1, 2026 are subject to redemption before

their stated maturity dates, at the District's option, in whole or in part, in the order of maturity selected by the District, on October 1, 2025 or on any date thereafter. The redemption price will be 100% of the principal amount redeemed, plus accrued interest

to the redemption date, and no premium will be paid.

Notice of redemption shall be sent by first class mail, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Obligation to be redeemed at the address shown on the registration books of

the paying agent (See "REDEMPTION PROVISIONS" herein.)

Security: The full faith and credit of the District are pledged to the payment of the principal of

and the interest on the Obligations as the same become due. All taxable property within the District is subject to ad valorem taxation without limitation as to rate or amount to provide for such payment; and for said purposes, there will be levied on all the taxable property in the District, direct, annual irrepealable taxes in each year and in such amounts which will be sufficient to meet such principal and interest payments

when due.

Credit Ratings: The District has received ratings on this issue of "AAA", "Aa1" and "AA+" from

Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings

Services, respectively. (See "RATINGS" herein.)

Purpose: The proceeds of the Obligations will be used for the purposes of financing portions of

the District's capital budget for the years 2014 through 2016 and certain other

expenditures of the District (See "THE RESOLUTIONS" herein.)

Authority for Issuance: The District has authorized the sale and issuance of the Obligations in accordance

with the provisions of Sections 67.12(12) and 200.55(2) of the Wisconsin Statutes.

Form of Issuance: The Obligations will be issued in Book-Entry-Only form, fully registered in the name of

Cede & Co., as nominee of DTC, which will act as the securities depository of the

Obligations. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Tax Status: Interest on the Obligations is excluded from gross income for federal income tax

purposes. Interest on the Obligations is not excluded from current State of Wisconsin

income or franchise taxes. (See "TAX STATUS" herein.)

Delivery Date: Delivery will be on or about May 11, 2015 at the expense of the District through the

facilities of DTC.

Record Date: The 15th day of the calendar month next preceding each interest payment date.

Bond Years: 1,225,758.89 years.

Average Life: 12.258 years.

Information set forth on this page is qualified by the entire Official Statement. A full review of the entire Official Statement should be made by potential investors.

INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the Milwaukee Metropolitan Sewerage District, Wisconsin (the "District") in connection with the sale of the District's \$100,000,000 General Obligation Promissory Notes, Series 2015A (the "Obligations"). The Obligations are being issued pursuant to the Constitution and laws of the State of Wisconsin (the "State"), resolutions (the "Resolutions") adopted by the Milwaukee Metropolitan Sewerage Commission (the "Commission"), and other proceedings and determinations related thereto.

Upon the issuance of the Obligations, the total outstanding amount of general obligation debt will be \$982,564,372, consisting of \$333,835,000 principal amount of District general obligation bonds and promissory notes and \$648,729,372 principal amount of general obligation promissory notes sold to the State of Wisconsin Clean Water Fund loan program.

All summaries of statutes, documents, and resolutions contained in this Official Statement are subject to all the provisions of, and are qualified in their entirety by reference to, such statutes, documents, and resolutions (including the Resolutions), and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Resolutions. (See "THE RESOLUTIONS" herein.) Copies of the Resolutions may be obtained from the Financial Advisor upon request.

SECURITY

The full faith and credit of the District are pledged to the payment of the principal of and the interest on the Obligations as the same become due. All taxable property within the District is subject to ad valorem taxation, without limitation as to rate or amounts, to provide for such payment, and for said purposes, there are levied on all the taxable property in the District, direct, annual irrepealable taxes in each year and in such amounts which will be sufficient to meet such principal and interest payments when due.

MATURITY AND INTEREST RATES

The Obligations are to be dated May 11, 2015 and will bear interest from that date at the rates, and shall mature each October 1 in the amounts and on the dates as set forth on the inside front cover of this Official Statement. Interest on the Obligations will be payable on each April 1 and October 1, beginning on October 1, 2015, and is calculated on the basis of a 360-day year of twelve 30-day months.

REDEMPTION PROVISIONS

Optional Redemption

The Obligations maturing on or after October 1, 2026 are subject to redemption before their stated maturity dates, at the District's option, in whole or in part, in the order of maturity selected by the District, on October 1, 2025 and on any date thereafter. The redemption price will be 100% of the principal amount redeemed, plus accrued interest to the redemption date, and no premium will be paid. If less than all outstanding Obligations are redeemed, then the Obligations will be redeemed in \$5,000 multiples.

ESTIMATED SOURCES AND USES

Sources of Funds				
Par Amount	\$100,000,000.00			
Net Reoffering Premium	7,925,939.70			
TOTAL SOURES OF FUNDS	\$107,925,939.70			
Uses of Funds				
Deposit to Project Fund	\$99,729,500.00			

Costs of Issuance (including Underwriter Discount) 747,500.00

TOTAL USES OF FUNDS \$107,925,939.70

7,448,939.70

Net Premium Available for Debt Service

CONSTITUTIONAL AND STATUTORY CONSIDERATIONS AND LIMITATIONS CONCERNING THE DISTRICT'S POWER TO INCUR INDEBTEDNESS

The Constitution and laws of the State limit the power of the District (and other municipal corporations of the State) to issue obligations and to incur indebtedness. Such constitutional and legislative limitations include the following, in summary form and as generally applicable to the District.

Purpose

The Constitution of the State and legislation enacted pursuant thereto authorize the District (and other municipal corporations of the State) to borrow money and issue bonds and notes for purposes specified by statute, including the purposes for which the Obligations are being issued.

General Obligation Promissory Notes

The District is authorized to borrow money for any public purpose through the issuance of general obligation promissory notes. The promissory notes must be payable within a period not exceeding twenty years following the date of issuance of any such notes issued to pay for a portion of its capital costs, and otherwise within a period not exceeding ten years following the date of any such notes.

Promissory notes would constitute a general obligation of the District for which the Commission is required to levy direct, annual, irrepealable taxes sufficient in amount to pay the interest on such notes as it falls due and also to pay and discharge the principal thereof at maturity. Promissory notes may be issued to refund outstanding notes and shall be paid within ten years after the original date of the refunding note and within twenty years after the date of the original promissory note.

General Obligation Bonds

The District is also authorized to borrow money through the issuance of general obligation bonds. The bonds must be payable within a period not exceeding fifty years following the date of issuance of the bonds. Projects that may be financed with general obligation bonds include the acquisition, leasing, planning, design, construction, development, enlargement, renovation, rebuilding, repair or improvement of land, waters, property, highways, buildings, equipment or facilities for public purposes.

Such bonds would constitute a general obligation of the District for which the Commission is required to levy direct, annual, irrepealable taxes sufficient in amount to pay the interest on such bonds as it falls due and also to pay and discharge the principal thereof at maturity.

Issuance of bonds and promissory notes requires a vote of at least two-thirds of all commissioners except in the case of bond anticipation notes, which requires a vote of three-fourths of all commissioners.

Refunding Bonds

In addition to being authorized to issue bonds, the District is authorized to borrow money through the issuance of refunding bonds for refunding existing debt. Such refunding bonds must be payable within a period not exceeding fifty years from the date of issuance of the debt to be refunded. Such refunding bonds constitute a general obligation of the District.

Revenue Bonds

The District has the authority to borrow money for the acquisition, construction, improvement, operation and maintenance of its sewerage system through the issuance of utility revenue bonds, secured by the revenues derived from the operation of the system. The revenue bonds must be payable within fifty years from the date of issuance of the bonds. The District is also authorized to levy taxes to provide for the payment of debt service on its revenue bonds. Revenue bonds are not general obligations of the District, and are not considered indebtedness within the meaning of the constitutional and statutory debt limit.

Bond Anticipation Notes

In anticipation of issuing general obligation bonds or promissory notes, the District is authorized to borrow money using bond anticipation notes. Unless the District expressly levies a tax to pay principal and interest on the bond anticipation notes (which it is not required to do), the bond anticipation notes are not general obligations of the District and do not constitute an indebtedness of the District nor a charge against its general credit or taxing power. The bond anticipation notes are payable only from (a) proceeds of the bond anticipation notes set aside for payment of interest on the bond anticipation notes as they become due and (b) proceeds to be derived from the issuance and sale of general obligation bonds or promissory notes, which proceeds are pledged for the payment of the principal of and interest on the bond anticipation notes.

Debt Limit

The District has the power to incur indebtedness for purposes specified by statute so long as the principal amount thereof does not exceed five percent of the equalized valuation of taxable property within the District. For information with respect to the District's percent of legal debt incurred, see the caption "Debt Limit".

THE RESOLUTIONS

The following is a summary of certain provisions of the Resolutions adopted or to be adopted by the Commission pursuant to the procedures prescribed by the Wisconsin Statutes. Reference is made to the Resolutions for a complete recital of their terms.

The Initial Resolution

By adoption of an initial resolution on September 22, 2014, the Commission authorized the sale and issuance of general obligation bonds or promissory notes in a principal sum not to exceed \$100,000,000 for the purpose or purposes of financing portions of the District's capital budget for the years 2014 through 2016 and certain other expenditures of the District (collectively, the "Project").

The Award Resolution

By adoption of a resolution on April 20, 2015 (the "Award Resolution"), the Commission accepted the bid for the purchase of the Obligations submitted by the bidder whose bid for the Obligations resulted in the lowest true interest cost. The Award Resolution provides the details and form of the Obligations, and sets out certain covenants with respect thereto. The Award Resolution pledges the full faith and credit of the District to payment of the principal of and interest on the Obligations. Pursuant to the Award Resolution, direct, annual, irrepealable taxes will be levied for collection in the years 2016 to 2034 in amounts which will be sufficient to meet the principal and interest payments on the Obligations when due (or monies will otherwise be appropriated). The Award Resolution requires that the District must keep the proceeds of the taxes levied for the payment of the principal of and interest on the Obligations in an account for the Obligations within its debt service fund, and that the District must maintain its debt service fund in accordance with Section 67.11 of the Wisconsin Statutes.

THE MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

General

The District is a special purpose municipal corporation organized under the laws of the State. The District has authority to levy taxes within its corporate boundary and to impose user charges within its entire service area. The District also has authority to issue its own debt. The District was created in 1982 by the reorganization of the prior sewerage district that operated the system, but which was financed by Milwaukee County.

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. All of the tax base of the following 18 cities and villages is within the District's legal boundary (District Members):

	Cities			Villages			
Cuda	ahy	Oak Creek		Bayside	River Hills		
Fran	klin	St. Francis		Brown Deer	Shorewood		
Glend	dale	Wauwatosa		Fox Point	West Milwaukee		
Green	field	West Allis		Greendale	Whitefish Bay		
Milwa	ukee			Hales Corners	•		

Pursuant to Sections 200.21 through 200.65 of the Wisconsin Statutes (the "Enabling Act"), the District is authorized to establish a new boundary. If the District exercises this authority, all areas likely to receive service from the District within 10 years must be included within the District's boundary without reference to the county border; however, local municipalities must consent to be included within the District boundary. Areas expected to receive District sewerage service not less than 10 years or more than 25 years from this time may be included in the District's boundary. The District must exclude from its boundary any area not likely to receive sewer service in the next 25 years.

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 the Enabling Act 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 service 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 wastewater 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. It may issue special use permits.

Governance

The Commission is the District's governing body and 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 are appointees of a body composed 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.

The present members of the Commission and the expiration of their respective terms of office are as follows:

<u>District Commissioners</u>	Expiration of Term
Ben Gramling, Chair Director of Environmental Health Programs - Sixteenth Street Community	July 2017 y Health Center
John R. Hermes, Vice Chair President, Village of Greendale	July 2016
Lyle A. Balistreri, Commissioner Retired President, Milwaukee Building & Construction Trades Council, A.	July 2012* FL-CIO
James A. Bohl, Commissioner Alderman, City of Milwaukee	July 2015
Milele A. Coggs, Commissioner Alderwoman, City of Milwaukee	July 2015
Nikiya Harris Dodd, Commissioner State Senator	July 2015
Carl F. Krueger, Commissioner President, Village of Brown Deer	July 2016
Eugene Manzanet, Commissioner Vice President of Community Development, PNC Bank	July 2017
Kris Martinsek, Commissioner Principal and owner of Martinsek & Associates	July 2015
Leon A. Saryan, Ph.D. Retired Biochemist and Toxicologist	July 2015
Michael A. West, Commissioner President, Village of Fox Point	July 2017

^{*}The Enabling Act provides that a Commissioner continues to serve until reappointment or until a successor is appointed.

Management

The Commission appoints an executive director, a director of legal services, a secretary and a treasurer. The executive director reports directly to the Commission. The district treasurer, the director of legal services and the secretary report to the executive director. The principal officers of the District include:

<u>Name</u> <u>Title</u>

Kevin L. Shafer, P.E. Executive Director
Susan Anthony Director of Legal Services

Anna Kettlewell Commission Secretary/Executive Administrator

Michael J. Martin, P.E. Director of Technical Services

Mark T. Kaminski Controller and Treasurer

Employee Relations

The District currently employs approximately 219 people.

	Number of
<u>Department</u>	Employees
Administrative	81
Engineering and Planning	75
Monitoring and Laboratory	63
TOTAL	219

District Council 48, Local 366, AFSCME, AFL-CIO represents 101 District employees, pursuant to a labor agreement which is in effect from May 1, 2014 through April 30, 2015. An election is being conducted from April 1 through April 21, 2015 to determine whether AFSCME will continue to represent such District employees. If AFSCME is recertified, then the District will, as soon as practicable, schedule negotiations regarding base wage rates which will be effective May 1, 2015. If AFSCME is decertified, such District employees will become non-represented employees effective May 1, 2015.

Retirement System

All full-time and other eligible employees of the District are members of the Employees' Retirement System of the City of Milwaukee (the "Retirement System"), a cost-sharing multiple-employer public employee retirement system. The covered payroll for District employees participating in the Retirement System for the year ended December 31, 2014, the latest year for which audited figures are available, was \$16.78 million; the District's total payroll was \$17.85 million.

Covered employees of the District are required by charter ordinance of the City of Milwaukee to contribute, or have contributed on their behalf, either 4% or 5.5%, depending on hire date, of their salary or wages to the Retirement System. The District is required to contribute the remaining amounts necessary to fund the Retirement System. Starting in 1970, the District has contributed the 5.5% on behalf of the employees. For the year ended December 31, 2014, the employee contributions totaled \$916,315.25. During 2014 the District was required to contribute an additional \$1,408,802.00 toward funding the Retirement System.

Other Post Employment Benefits

The District currently provides post-employment benefits (health and life insurance) for its employees who retire and meet other negotiated criteria. The District has historically paid its Other Post Employment Benefits ("OPEB") program on a current basis and has not established a fund for the payment of OPEB in future years.

Membership in the retiree health and life insurance plan as of December 31, 2014 included 761 participants, consisting of 487 retirees receiving benefits, 267 active plan members and 7 terminated vested participants. OPEB calculations are updated annually and prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. An actuary has been retained by the District for the purpose of determining the expense and liabilities to be reported on the District's financial statement for the fiscal period ending December 31, 2014.

The information summarized in the remainder of this section, below, is taken from the actuary's report.

The District is required to expense the estimated yearly cost of providing post-retirement benefits representing a level of funding that, if paid on an ongoing basis, is projected to cover costs and amortize unfunded actuarial liabilities over a given period not to exceed 30 years. Such annual accrual expense is referred to as the "annual required contribution." For the fiscal year ended December 31, 2014 the District's estimated annual required contribution was \$10,489,169. For fiscal year 2014, contributions to the retiree health and life insurance plan totaled \$4,565,065, which was 47.7% of the annual OPEB cost. The District's funding practice has been to fund the yearly amount of benefit premiums on a "pay-as-you-go" basis.

The plan's ratio of actuarial value of assets to actuarial accrued liability for benefits (the "Funded Ratio") as of the most recent actuarial valuation date, December 31, 2014, was 0%. As of December 31, 2014 the actuarial accrued liability was \$178,564,472, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$178,564,472.

For more information, "Appendix A - Basic Financial Statements and Related Notes for the year ended December 31, 2013 (See Note 11) and Draft/Unaudited Statements of Net Position and Draft/Unaudited Statements of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2014" attached hereto.

Financial Powers

The District has a range of financial powers to raise the funds for both its capital improvement programs and its operation and maintenance responsibilities. Major aspects of the District's financial powers are described below.

Authority to Levy Taxes

The District may levy ad valorem taxes upon the taxable property within the District's legal boundary for the following purposes:

- 1. To pay principal of and interest on bonds or promissory notes issued by the District;
- 2. To enhance the marketability of any revenue bonds that may be issued by the District; and
- 3. To acquire, extend, plan, design, construct, add to or improve land, waters, property or facilities for sewerage and drainage purposes.

Taxes are uniformly levied by the District on all taxable property within the District's boundary based upon the equalized value of the property. The District certifies the taxes to each municipality within its boundary. The local municipality bills the property owners in December for the taxes levied during that calendar year. Taxpayers may elect to pay real property taxes in two or more installments.

The various municipalities within the District's legal boundary initially collect District taxes together with local and school 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 in the same priority as school districts and vocational, technical and adult education districts. All municipalities are required to turn over delinquent District taxes to the treasurer of the county in which such municipality is located by August 15 of each year. The county treasurer, in turn, must settle the taxes in full with the District by August 20 regardless of the actual collections.

In general, a tax levy requires a vote of at least two-thirds of all District commissioners; however, if resolutions authorizing full funding of the local share of the District's next year's capital budget are not adopted by the Commission by October 15 of any year, the Commission may, by a simple majority of all commissioners, raise up to \$40 million by direct tax levy in addition to the amount of any irrepealable tax previously levied for principal and interest payments on District general obligation indebtedness.

Authority to Borrow

As discussed above, the Enabling Act allows the District to finance capital improvements through the issuance of debt instruments, including:

- 1. General obligation bonds and promissory notes;
- 2. Bond anticipation notes; and
- 3. Revenue bonds, including revenue bonds to which the District may pledge tax levies or funds in its treasury.

Authority to Establish and Collect User Charges

Operating Expenses. District operating expenses are recovered from all District customers by a sewer service charge. The District bills each municipality within its service area based on waste strength, quantity, and number of connections of its users. The municipalities, in turn, directly bill their residential, commercial and industrial users. The municipalities are required to settle with the District within 45 days from the date the municipality receives the wholesale bill from the District regardless of collections. The District is authorized to assess a late fee. The District's user charge system has been approved by the Environmental Protection Agency ("EPA") and the Department of Natural Resources ("DNR"). Such approval is a condition for grants and loans from these agencies.

Capital Expenses. The District is authorized under the Enabling Act to establish a user charge for capital improvement financing. At this time, only those parts of municipalities located outside the District's legal boundary pay capital charges pursuant to a service charge established by the District.

Review by Public Service Commission. The Enabling Act provides that user charge rates for operations and capital improvements are subject to review by the Wisconsin Public Service Commission under certain circumstances.

Insurance

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.

OPERATING CONTRACT

On January 5, 1998, the District entered into a 10-year agreement with United Water Services Milwaukee LLC ("UWS") to manage, operate, and maintain the District's two water reclamation plants, bio-solids management and field operations, with the District retaining ownership of the assets. UWS met the requirements of the contract to maintain the District's Wisconsin Pollution Discharge Elimination System permit compliance record, District facilities, and the District's commitment to clean water in the Milwaukee area. At the end of the 10-year agreement, the District calculated that the contract had saved ratepayers \$165 million, \$19 million more than was originally projected.

On December 3, 2007, the Milwaukee Metropolitan Sewerage District Commission approved a 10-year contract effective March 1, 2008 with Veolia Water Milwaukee, LLC ("Veolia") to manage, operate and maintain the District's two water reclamation plants, bio-solids management and field operations. Veolia's proposal was determined to be the most cost-effective, saving an estimated amount greater than \$35 million compared to the second lowest cost alternative, a return of operations to the public sector. After the District evaluated the cost-effectiveness of returning the operations to the public sector, Veolia was selected based on a competitive proposal process, which included UWS. The District is developing a plan for system management, operation and maintenance when the current 10 year contract with Veolia expires in 2018. This contract expiration does not impact the District's capital programs; however, it may have an impact on future operating expenditures.

The District continues to operate its industrial waste pretreatment program; capital planning and engineering services; environmental laboratory, water quality monitoring and research; and Milorganite® sales, marketing and distribution with in-house staff. The District has an extensive contract compliance and oversight program established with respect to the contract with Veolia.

THE EXISTING SEWERAGE FACILITIES

Water Reclamation Facilities

The District has two water reclamation facilities, which are operated by Veolia through its contract with the District. The plants provide sewage treatment services for the 18 cities and villages within the District's legal boundary and to all or parts of 10 municipalities outside of Milwaukee County.

Jones Island Water Reclamation Facility

Located on a peninsula in the Milwaukee harbor, the Jones Island Water Reclamation Facility ("Jones Island") is the oldest operating activated sludge plant in the country. Because of its historic leadership in wastewater treatment, the facility has been designated a National Historic Civil Engineering Landmark by the American Society of Civil Engineers and has been placed on the National Register of Historic Places.

Jones Island was originally constructed in 1925 with a capacity of 85 million gallons per day (MGD). Expansions in 1935 and 1952 increased treatment capacity to 200 MGD. With the completion of the Water Pollution Abatement Program (WPAP) in 1994, the daily maximum design flow at Jones Island for secondary treatment is 300 MGD. The peak (hourly) design capacity for full treatment is 330 MGD; with an additional 60 MGD of combined sewer wet weather treatment, the maximum plant capacity is 390 MGD. Current average daily flows to the plant are approximately 100 MGD.

Wastewater treatment at Jones Island consists of preliminary and primary treatment, secondary treatment, phosphorus removal, disinfection and dechlorination. This includes screening, grit removal, primary settling, activated sludge stabilization, secondary settling and disinfection. Biosolids removed are used in the production of Milorganite®, an organic fertilizer.

South Shore Water Reclamation Facility

Located south of Jones Island in Oak Creek, the South Shore Water Reclamation Facility ("South Shore") was constructed in 1968 as a primary treatment facility with a capacity of 60 MGD. The plant was expanded in 1974 to include secondary treatment and phosphorus removal. The current design capacity of South Shore is 250 MGD Maximum Day and 300 MGD Maximum Hour. Current average daily flows to the plant are approximately 100 MGD, mostly from the southern and western portions of the District's service area.

Wastewater treatment at South Shore consists of preliminary and primary treatment, secondary treatment, phosphorus removal, disinfection and dechlorination. This includes screening, grit removal, primary settling, activated sludge stabilization, secondary settling and disinfection.

Sludge generated by the South Shore treatment process is typically sent to the anaerobic digesters and then pumped through the approximately 12-mile long interplant pipeline to Jones Island for processing into Milorganite®. If the Milorganite process cannot accommodate all of the sludge from South Shore, the stabilized sludge is dewatered in the solids processing facilities and then applied to agricultural sites as an organic fertilizer or hauled to a landfill.

Interplant Solids Pipeline System

The Interplant Solids Pipeline ("ISP") system is used to transport solids between Jones Island and South Shore to maximize production of Milorganite® and to maximize the production of digester gas. The ISP system consists of four pipes (two pipes at 12-inch diameter and two pipes at 14-inch diameter) approximately 12 miles long and other appurtenant equipment and structures.

Collection and Conveyance System

The District owns and operates an extensive system of sanitary sewers used to collect, convey, and in some cases, store wastewater originated by local sewer systems ("Collection and Conveyance System"). The local sewer systems are operated and maintained by the local municipalities within the District and those that contract with the District. Wastewater generated from households and businesses flows to the local systems, is collected by the District's System and is conveyed to the District's two water reclamation facilities.

Metropolitan Interceptor Sewer System

The purpose of the Metropolitan Interceptor Sewer ("MIS") system is to intercept wastewater from local sanitary and combined sewer systems within the service area. Wastewater within the MIS system is subsequently conveyed to either the Jones Island or South Shore water reclamation facilities.

The MIS system consists of 294 miles of sanitary and combined sewers, 7 sanitary sewer pump stations, and 8 bypass pump stations. The system is divided into seven drainage basin subsystems for purposes of flow monitoring analysis and system control. In the combined sewer area where both sanitary and storm water systems are combined, the drainage basin subsystem consists of a high-level and a low-level sewer system. The low-level system provides service to the low-lying areas along the Milwaukee, Menomonee and Kinnickinnic rivers. Flow in both high- and low-level systems is conveyed by gravity to either of two siphon chambers (East Erie Street or East Bruce Street) and is then conveyed via a double-barreled siphon to a wet well at Jones Island.

Flows in various portions of the separated sewer area can be diverted between the drainage basin subsystems for conveyance to either Jones Island or South Shore. Moreover, flows can be diverted to the Inline Storage System, a large underground storage facility (the "Deep Tunnel"). Diversion of flow between subsystems and into the Deep Tunnel is accomplished by gates and flow diversion devices controlled from the District's Central Control System.

Deep Tunnel System

The Deep Tunnel stores peak wastewater flows that temporarily exceed the capacity of either the water reclamation facilities or the MIS system. The Deep Tunnel is designed to substantially reduce the number of combined sewer overflows and meet permit requirements for the treatment of separate sewer flows. The District built the Deep Tunnel in three phases starting in the 1980's. The first phase, which became fully operational in 1994, consists of 19.4 miles of tunnels 300 feet underground with a capacity of 405 million gallons of storage. The second phase, the Northwest Side Deep Tunnel, was completed in February 2006 with a length of 7.1 miles at a depth underground of 135-175 feet, adding 89 million gallons of storage. In April 2010 a two-mile extension to the Deep Tunnel was completed, adding 27 million gallons of storage. Completion of the third phase brought total storage capacity of the Deep Tunnel to 521 million gallons.

Central Control System

The goal of the "Central Control System" is to ensure that the wastewater treatment plants and conveyance capacity are utilized in the most efficient manner through flow monitoring and remote operation of the Collection and Conveyance System.

Flows within the MIS and Deep Tunnel systems are monitored using continuous monitors. Continuous monitors are permanently installed in approximately 300 locations and primarily use a wireless communication system to transmit data back to the District's Central Control System located at Jones Island. Using this system, a single operator can identify and address potential problems in the system, remotely divert certain flows from one drainage basin subsystem to another, and even remotely divert some flows from one treatment plant to another or to the Deep Tunnel.

CAPITAL IMPROVEMENTS PROGRAM 2015 - 2020

The District's planning for future capital expenditures has resulted in a capital improvements program plan from 2015 through 2020. The capital improvements program includes projects to improve the District's water reclamation facilities and conveyance systems, provide improved flood protection to the waterways, replace aging machinery and equipment and reduce infiltration and inflow and stormwater runoff entering the District's sewerage system.

A portion of those capital improvements were identified in the District's 2020 Facilities plan. The plan presents two alternate capital implementation schedules: an Adaptive Implementation Schedule (AIS) and a Full Implementation Schedule (FIS), with differences in the plans being attributed to projected assumptions for population and land use. The District's capital improvements program utilizes the AIS rather than the FIS. The AIS will be continuously monitored and periodically revised as water quality, population growth, and land use changes occur. The District is currently in the process of developing its next Facilities Plan, the 2050 Facilities Plan, which will have interim goals to 2035. When the 2050 Facilities Plan is completed, it will identify capital implementation schedules that will be incorporated into future District capital improvements programs and budgets.

The capital improvements program, including debt service, from 2015 through 2020 is estimated to cost \$1.3 billion and is explained in more detail in the following paragraphs.

WATER RECLAMATION FACILITIES

The District's two water reclamation facilities (Jones Island and South Shore) have a combined daily maximum design flow capacity of 550 million gallons per day. In addition to traditional sewage treatment, a portion of the biosolids, which are the byproducts from the treatment of wastewater, are used in the production of Milorganite® fertilizer.

The proposed capital improvements program from 2015 through 2020 includes approximately \$198.9 million for improvements to these facilities. Of the \$198.9 million, \$110.2 million are planned for improvements to the Jones Island facility, \$73.8 million for improvements to the South Shore facility, and \$14.9 million for the Interplant Pipeline.

Jones Island Water Reclamation Facility Improvements

At the Jones Island facility, major rehabilitation projects currently planned or underway from 2015 through 2020 include the following:

- Primary Treatment
 - o Preliminary Facility Electrical Upgrade \$3.7 million
- Secondary Treatment
 - East Plant Return Activated Sludge Header Replacement \$1.5 million
 - o Secondary Clarifier Drive Replacement \$1.1 million
- Solids Processing
 - o Replacement of Main Recycle Screw Conveyors \$5.4 million
 - Drainage Piping and Quench Chambers Rehabilitation \$2.1 million
 - o Dewatering & Drying Building Explosion Relief Panel Replacement \$2.1 million
 - Ferric Oxide System Improvements \$1.6 million
 - Allowance for Future Dewatering & Drying Facility Rehabilitation \$15 million
- General Plant
 - Landfill Gas Turbine Component Replacement/Rehabilitation \$9.8 million
 - Roof Replacements \$6.0 million
 - o Allowance for Future Plant Rehabilitation \$15 million

South Shore Water Reclamation Facility Improvements

At the South Shore facility, major rehabilitation projects currently planned or underway from 2015 through 2020 include the following:

- Secondary Treatment
 - Capacity Improvements \$8.5 million
- Solids Processing
 - o Digester Mixing Improvements \$3.8 million
 - o Aeration Basin Concrete Rehabilitation \$3.4 million
 - o Thickening Process Capacity Enhancements \$2.4 million
- General Plant
 - o Roadways and Walkways \$8.5 million
 - o Allowance for Future Plant Rehabilitation \$15 million

Interplant Pipeline Facility Improvements

Work on the interplant pipeline includes \$14.9 million for interplant pipeline improvements.

CONVEYANCE SYSTEMS

The District operates and maintains an extensive system of intercepting sewers that collect and temporarily store wastewater from local sanitary and combined sewer systems. The proposed capital improvements program from 2015 through 2020 includes \$113.9 million for improvements to the conveyance system. The conveyance system is separated into three areas: the MIS system, the Inline Storage System, and the Central Control System.

Metropolitan Interceptor Sewer Improvements

The purpose of the MIS system is to intercept wastewater from local sanitary and combined sewer systems within the service area. Wastewater within the MIS system is subsequently conveyed to either the Jones Island or the South Shore water reclamation facilities. \$99.2 million are included in the proposed capital improvements program from 2015 through 2020 for improvements to the MIS system.

Projects planned from 2015 through 2020 for MIS include the following structural and hydraulic upgrades to the central MIS portion of the service area: \$18.3 million for the South 6th Street & Warnimont MIS Rehabilitation project, \$16.4 million for the 107th St. MIS Improvement project, \$7.0 million for Force Main Rehabilitations, \$5.0 million for the S. 27th Howard to Euclid MIS Rehabilitation project, and allowances for future needs.

Inline Storage System

The proposed capital improvements program from 2015 through 2020 includes \$3.6 million for rehabilitation of combined sewer overflow structures.

Central Control System

The goal of the Central Control System is to ensure that water reclamation and conveyance capacity is utilized in the most efficient manner. Through this system, flow can be diverted from one subsystem to another, or from one facility to another or to the Deep Tunnel. Approximately \$6.5 million is included in the capital improvements program from 2015 through 2020 for improvements to the Central Control System, including \$4.9 million for the Conveyance SCADA Upgrade Project.

WATERCOURSE/FLOOD MANAGEMENT PROJECTS

In addition to the collection and treatment of sanitary waste, the District works to provide environmentally responsible flood protection and has discretionary authority to make improvements to the watercourses contained in the six watersheds within the District's service area. In 1998 the District and local communities began the planning process for the development of an updated watercourse system management plan. Flood abatement alternatives are being developed and implemented for each of the six watersheds. The capital improvements program from 2015 through 2020 includes \$91.0 million for watercourse improvement projects.

These improvements include both structural and non-structural flood control measures that are intended to remove structures from the 100-year floodplain. Key elements of this plan include \$36.9 million for Kinnickinnic River Flood Management, \$12.4 million for the 30th Street Corridor Project, \$11.3 million for the Western Milwaukee Phase 2A project, \$4.2 million for Underwood Creek, and \$7.2 million for the Greenseams Program to retain natural stormwater detention.

OTHER PROJECTS

The capital improvements program from 2015 through 2020 includes \$129.2 million for projects related to District facilities and facilities planning, including work related to the Private Property Infiltration and Inflow ("PPII") Reduction Program, green infrastructure implementation, the sustainability of District facilities, regional stormwater integration planning, and planning for the adaption to wet weather. It also includes the District's Workforce & Business Development Resource Program, financial planning, risk management, and an allowance for cost and schedule changes.

One of the primary causes of system capacity problems relates to the amount of excess water entering the system through infiltration and inflow on private property, such as aging or deteriorating laterals or foundation drains. Implementation of repairs or other changes on private property and improved stormwater management will help the District to become more resilient to future wet weather issues. Through the PPII Reduction Program begun in 2010, the District is providing a funding mechanism for municipalities to spearhead solutions for PPII, including an additional \$5 million per year from 2015 through 2020. Complementing this program is a new Green Solutions Program, which includes \$10.5 million for municipalities to implement green infrastructure that will assist the District in meeting its permit requirement to increase its ability to capture stormwater by an additional one million gallons each year.

LONG-RANGE FINANCING PLAN 2015 - 2020

In adopting the 2015 Capital Budget, the Commission approved a long-range financing plan for the years 2015 through 2020. The financing plan provides for a tax levy increase of 2.65 percent for 2015 and 4 percent per year from 2016 through 2020. The tax rate for 2015 is \$1.71 per thousand dollars of equalized valuation. Assuming a property value growth rate of 2 percent for 2016 and 3 percent per year from 2017 through 2020, tax rates in the long-range financing plan from 2015 through 2020 range from \$1.71 to \$1.82 per thousand dollars of equalized valuation.

The Commission has approved the 2020 Facilities Plan, the 2015 Capital Budget and the long-range financing plan for the years 2015 through 2020 as planning documents. The annual capital budget is a financial plan outlining the established expenditures for programs or projects already authorized or to be considered by the Commission. The capital budget is adopted by the Commission each year and reflects changes in anticipated expenditures and revenues for the budget year from projections made in prior multi-year financing plans. Approval of the capital budget does not in itself authorize any specific 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.

The District's proposed long-range financing plan is subject to Commission approval, and for its capital improvements program from 2015 through 2020 uses projections that are preliminary and may change. The District believes that it has identified the major capital projects expected to be required to comply with current statutes and regulations applicable to the District and the services it provides and further believes that, in the absence of significant changes to these statutes and regulations, the current projections will be sufficient to allow the District to meet its mandates and fulfill its statutory requirements. The District seeks to implement its capital program within the following financing objectives:

- 25 percent cash financing of capital project expenditures within the 6-year financing plan, and
- Maintaining outstanding debt at no more than 2.5 percent of total equalized property value, which is 50 percent of the statutory limit of 5 percent.

The District estimates that \$621 million of property tax revenues will be available to pay for capital projects and debt service from 2015 through 2020. Ten non-member communities pay an ad valorem equivalent capital charge to the District. In preparing its estimate of ad valorem equivalent capital charges to these communities, it is assumed that the growth in equalized value of taxable property in the service area outside the District's legal boundary will match the projected growth rate of taxable property within the District's legal boundary (2 percent for 2016 and 3 percent per year thereafter). Actual property growth experienced over the last ten years has been 12.3% (1.2% per year compounded) within the District and 16.6% (1.5% per year compounded) outside the District among non-member communities within the District's service area.

The long-range financing plan includes estimated debt service payments of \$724 million from 2015 through 2020 for existing and future District-issued general obligation bonds and notes, State of Wisconsin Clean Water Fund Program loans, and a State Energy Program loan from the Wisconsin Department of Commerce. The \$100 million principal amount of the Obligations described in this Official Statement are included in the long-range financing plan as applied in 2015 and 2016. District issued debt, including the Obligations, is assumed to be structured as 20-year level debt service at an interest rate of 4% for debt issued in 2015 and 5% thereafter. The financing plan assumes that 50% of non-watercourse project expenditures after 2017 will be financed with Clean Water Fund Program loans at an interest rate of 3.75 %.

During the 6-year period from 2015 through 2020, in addition to \$621 million in property tax revenues, the District expects to receive \$192 million in revenue from ten non-member communities, \$23 million in interest earnings on its projected available funds, \$10 million from grants and state aid, \$132 million from Clean Water Fund Program loans, and \$264 million from District-issued general obligation bonds and promissory notes. The District projects that it will apply \$15 million from available funds at the beginning of 2015 toward its long-range financing plan. The District intends to maintain a balance in capital funds at a level which provides working capital necessary for three months of capital expenditures plus amounts reserved in debt service funds.

THE FOLLOWING TABLES OF LONG RANGE FORECASTS AND STATISTICAL SCHEDULES PRESENT DETAILED INFORMATION AS A CONTEXT FOR THE INFORMATION IN THE OFFICIAL STATEMENT.

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT ADOPTED 2015 CAPITAL BUDGET - LONG-RANGE FINANCING PLAN IN \$000

	Estimate	Six-Year Capital Improvements Program					Six-Year	% of	
	2014	2015	2016	2017	2018	2019	2020	Total	Total
Beginning balance	\$59,894	\$37,608	\$76,086	\$48,502	\$27,315	\$18,832	\$25,678	\$37,608	
Add:									
Tax levy	91,222	93,639	97,385	101,280	105,331	109,544	113,926	621,105	49%
Non-member billings	27,095	30,222	30,626	31,139	31,058	32,958	36,093	192,097	15%
Federal and state aid	4,331	3,612	1,293	1,278	1,291	1,303	1,316	10,093	1%
Loans	47,672	22,100	20,267	9,036	16,686	31,794	32,078	131,962	10%
Interest & other	5,216	3,680	3,983	3,844	3,956	3,821	3,242	22,526	2%
District bonds	0	100,000	36,022	60,634	12,884	39,114	14,996	263,650	21%
Total revenues	175,536	253,253	189,576	207,213	171,205	218,535	201,651	1,241,433	99%
Use of (Additions to)									
available funds	22,285	(38,478)	27,585	21,187	8,482	(6,845)	3,523	15,453	1%
Total sources	197,821	214,775	217,161	228,399	179,687	211,690	205,174	1,256,886	100%
Less:								•	
Water reclamation	29,355	29,651	28,378	32,435	21,772	42,911	43,741	198,888	16%
Conveyance	15,585	13,997	16,571	30,677	11,600	20,676	20,416	113,937	9%
Watercourse	15,150	20,816	19,192	11,868	15,823	13,818	9,526	91,043	7%
Other projects / programs	21,699	28,950	22,464	21,123	20,180	21,559	14,936	129,213	10%
Projects / Programs	81,790	93,415	86,604	96,103	69,375	98,965	88,620	533,081	42%
Existing MMSD debt	44,953	44,862	44,767	44,682	22,186	21,997	21,993	200,487	
Future MMSD debt	0	2,000	8,259	11,765	15,436	17,126	19,661	74,247	
State loans	71,079	74,498	77,531	75,850	72,691	73,602	74,900	449,071	
Debt service	116,032	121,360	130,556	132,296	110,312	112,725	116,554	723,805	58%
Total uses	197,821	214,775	217,161	228,399	179,687	211,690	205,174	1,256,886	100%
Ending balance	\$37,608	\$76,086	\$48,502	\$27,315	\$18,832	\$25,678	\$22,155	\$22,155	
Tax rate / \$1000	\$1.70	\$1.71	\$1.75	\$1.77	\$1.78	\$1.80	\$1.82		
% Change in Tax Levy	2.85%	2.65%	4.00%	4.00%	4.00%	4.00%	4.00%		
Annual % cash financing	27%	4%	8%	28%	57%	28%	47%	28%	
G.O. debt at year-end	\$934,489	\$970,177	\$926,748	\$899,462	\$848,109	\$835,379	\$794,852		
Debt as % of Eq. Value	1.63%	1.66%	1.54%	1.45%	1.33%	1.27%	1.19%		

^{(1) 2014} beginning balance is net of \$19.6 million reserved for municipal reimbursements within the following District capital programs: Private Property I/I, Stormwater BMPs, and Green Solutions. 6-year cash financing % from 2015-2020 reflects disbursement of these reserves from cash financing sources.

⁽²⁾ Tax levy growth limited to 2.65% for 2015 and 4% annually thereafter. To achieve tax rates shown, available working capital is placed in a debt service fund to abate the tax levy as necessary.

⁽³⁾ Change in District and non-member equalized value is 1.94% and 4.88% respectively for 2015, 2% for 2016, 3% for 2017 and 3% annually thereafter.

⁽⁴⁾ Investment of available funds at 0.6% for 2015, 2% for 2016 and 3% thereafter.

⁽⁵⁾ Future District bond issues structured as 20-year level debt service at 4% for 2014 and 2015 and 5% thereafter.

⁽⁶⁾ Cash financing % for 2014 reflects \$3.1 million in Series 2010L bond proceeds applied to 2014 expenditures.

⁽⁷⁾ Proceeds of the Obligations will reimburse an estimated \$9.3 million of 2014 capital expenditures and fund \$23.2 million of 2016 expenditures.

Operations and Maintenance Long-Range Forecast
The O&M forecast projects a 3.25 percent increase in User Charge Billings in 2015 and an annual increase of 2.5 percent increase in each of 2016 and 2017.

	2014 Budget	2014 Estimate	2015 Budget	2016	2017
Revenues					
User Charge Billings	\$69,239,601	\$68,289,601	\$71,489,982	\$73,279,372	\$75,114,252
Milorganite [®] Sales (Net)	7,775,000	7,505,517	7,775,000	7,775,000	7,775,000
Interest Income	500,000	265,419	500,000	500,000	500,000
Other Income	994,436	1,034,436	963,082	972,713	982,440
Household Hazardous Waste	1,317,717	1,237,405	1,311,054	1,324,165	1,337,406
Industrial Waste Pretreatment	923,135	927,920	943,810	971,095	1,000,228
Total Operating Revenue	\$80,749,889	\$79,260,297	\$82,982,929	\$84,822,344	\$86,709,326
Equipment Replacement Fund User Charge Stabilization Fund	0 (1,000,000)	0 (1,000,000)	1,000,000 1,000,000	250,000 3,410,000	\$0 2,480,000
Surplus or Deficit Applied	7,757,896	7,757,896	3,918,593	2,556,565	4,141,680
Carryover Funds from previous year	0	1,500,000	0	0	0
Total Reserves and Surplus	6,757,896	8,257,896	5,918,593	6,216,565	6,621,680
Total Revenues	\$87,507,785	\$87,518,193	\$88,901,522	\$91,038,909	\$93,331,006
Expenditures Divisions					
Commission	\$255,782	\$231,682	\$251,082	\$253,592	\$256,128
Office of the Executive Director	5,928,953	6,271,446	7,004,889	7,109,963	7,216,612
Legal Services	1,441,074	962,824	1,374,215	1,394,829	1,415,751
Finance Division	1,791,540	1,815,017	1,811,939	1,839,118	1,866,705
Technical Services	62,940,039	64,156,722	65,072,358	66,919,319	68,474,154
Planning, Research, and Sustainability	2,974,125	1,891,153	2,795,738	2,837,674	2,880,239
Water Quality Protection	5,487,494	5,455,371	5,495,650	5,578,085	5,661,756
Community Outreach & Business Engagement	6,203,731	6,177,525	5,002,935	5,077,979	5,154,148
Fringe Benefits	11,979,802	10,804,441	11,445,186	11,845,768	12,260,370
Charges to Capital - Total	(13,545,718)	(13,819,332)	(13,520,800)	(13,602,494)	(13,684,877)
Net Division Expenditures	\$85,456,821	\$83,946,848	\$86,733,193	\$89,253,833	\$91,500,986
Unallocated Reserve	2,050,964	1,775,260	2,168,330	1,785,077	1,830,020
Total Expenditures	\$87,507,785	\$85,722,108	\$88,901,522	\$91,038,909	\$93,331,006
User Charge Billings Increase	1.75%		3.25%	2.50%	2.50%

Historical Sewer User Charges

Municipalities Within the District

			Fiscal Year		
Municipality	2014 Est.	2013	2012	2011	2010
City of Cudahy	\$1,618,550	\$1,507,280	\$1,613,522	\$1,656,103	\$ 1,805,096
City of Franklin	2,040,662	2,006,441	1,914,760	1,925,628	1,931,327
City of Glendale	900,806	934,241	923,834	931,804	912,462
City of Greenfield	1,945,286	1,944,800	1,964,108	1,962,998	1,957,031
City of Milwaukee	40,235,500	40,211,422	40,081,180	40,329,654	41,323,722
City of Oak Creek	2,133,231	2,069,149	1,991,631	2,005,209	2,052,065
City of St. Francis	540,392	540,870	555,621	496,818	368,714
City of Wauwatosa	2,961,982	2,997,566	3,115,200	3,088,718	3,144,526
City of West Allis	3,726,150	3,717,622	3,716,622	3,721,541	3,679,178
Village of Bayside	239,170	230,494	240,845	240,213	229,068
Village of Brown Deer	735,633	721,924	731,400	719,455	710,976
Village of Fox Point	443,147	361,777	359,258	369,485	363,502
Village of Greendale	788,101	742,539	715,631	733,597	720,827
Village of Hales Corners	436,428	434,642	428,409	433,212	429,876
Village of River Hills	84,893	84,355	85,807	89,742	88,543
Village of Shorewood	676,706	662,621	673,288	678,964	659,074
Village of West Milwaukee	917,770	971,000	1,105,930	1,006,938	895,309
Village of Whitefish Bay	697,095	687,053	694,737	698,033	682,223
Total Within the District	\$61,121,50 <u>2</u>	\$60,825 <u>,796</u>	<u>\$60,911,783</u>	\$61,088,11 <u>2</u>	<u>\$61,953,519</u>
rotal within the District	$\psi \cup 1, 1 \subseteq 1, 3 \cup 2$	$\frac{400,023,730}{}$	$\psi \circ 0 \circ 0 \circ 1 \circ 1$	$\psi 01,000,112$	<u>\$10,555,018</u>

Historical Sewer User Charges

Municipalities Outside the District

			Fiscal Year		
Municipality	2014 Est.	2013	2012	2011	2010
City of Brookfield	\$917,553	\$898,795	\$897,586	\$956,248	\$935,751
City of Mequon	1,206,940	1,094,553	1,119,264	1,077,743	1,056,814
City of Muskego	1,092,905	1,054,548	1,041,072	1,024,359	1,004,530
City of New Berlin	1,859,908	1,818,911	1,827,310	1,764,458	1,776,161
City of South Milwaukee (1)	30,496	28,042	27,588	25,225	27,456
Village of Butler	175,348	174,544	171,463	182,373	177,528
Village of Caledonia	26,174	25,528	25,639	26,407	25,047
Village of Elm Grove	246,621	310,463	297,649	301,897	308,781
Village of Germantown	1,387,769	1,413,618	1,278,930	1,190,224	1,185,985
Village of Menomonee Falls	1,777,329	1,745,112	1,799,637	1,750,504	1,721,685
Village of Thiensville	186,370	181,708	180,254	182,594	181,356
Total Outside the District	\$8,907,413	\$8,745,822	\$8,666,392	\$8,482,032	\$8,401,094

⁽¹⁾ Household Hazardous Waste Program charges only.

Ten Largest Sewer Users

			2014 E	st.	2005		
			Sewer Rev	renue	Sewer Rev	renue	
Customer		Type of Business	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
MillerCoors		Brewery	\$2,913,530	4.2%	\$2,015,877	4.3%	
D.R. Diedrich & Co.		Leather tanning and finishing	693,930	1.0	288,241	0.5%	
Malteurop North America		Malt manufacturing	493,584	0.7	-	-	
Patrick Cudahy		Process meat products	487,808	0.7	185,732	0.4%	
Milwaukee Water Works		Water utility	428,460	0.6	531,646	1.1%	
Wisconsin Paperboard		Paperboard mill	410,741	0.6	-	-	
Gehl Guernsey Farms Inc.		Food preparation	380,281	0.5	250,257	0.5%	
Jonas Advanced Waste Hi-Mar		Centralized Waste Treater	328,806	0.5	-	-	
Cargil Meat Solutions		Meat packing plants	303,677	0.4	313,649		
Chris Hansen/Maple		Food preparation	299,425	0.4	-	-	
Milwaukee County DHHS		Health services	-	-	192,409	0.4%	
Campbell Soup Supply Company		Food preparation	-	-	269,872	0.6%	
International Malting Corporation	(a)	Malt manufacturing	-	-	332,299	0.7%	
LeSaffre Yeast Corp.	(b)	Food preparation	-	-	1,363,106	2.9%	
Subtotal (10 largest)			\$6,740,242	9.6%	\$5,743,088	12.3%	
Balance from other customers			63,288,673	90.4%	41,036,285	<u>87.7%</u>	
Grand Total			<u>\$70,028,915</u>	<u>100.0%</u>	<u>\$46,779,373</u>	<u>100.0%</u>	

⁽a) Consolidated to Malteurop North America

Sewer User Rate Charges

	Flow	Biochemical Oxygen	Total Suspended	Connection	Volumetric	Average	Millions of Gallons
	(Cents Per	Demand (BOD)	Solids (TSS)	Charge	(Dollars Per	Household	of Sewage
<u>Year</u>	1000 Gallons)	(Cents Per Pound)	(Cents Per Pound)	(Dollars Per Year)	1,000 Gallons)	(Dollars Per Year)	<u>Treated</u>
2015	\$0.96079	\$0.11781	\$0.15807	\$30.21	\$1.753133	\$125.17	TBD
2014	0.88437	0.10061	0.15815	30.68	1.632498	120.68	68,480
2013	0.86507	0.09992	0.15924	29.84	1.614778	118.20	73,900
2012	0.81173	0.09910	0.15803	31.78	1.555585	117.97	60,100
2011	0.81861	0.09120	0.16142	33.45	1.552504	121.17	74,100
2010	0.82846	0.12689	0.14968	23.49	1.618383	118.26	71,300

Note: 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.

⁽b) Moved out of state

TAX LEVIES

	Equalized		Tax Rate
	Value		Per \$1,000
	of Taxable	Tax	Equalized
Year	Property	Levies	Value
2014	\$54,607,126,500	\$93,639,000	\$1.71
2013	53,567,657,800	91,222,000	1.70
2012	54,435,721,000	88,694,000	1.63
2011	57,252,275,690	86,531,000	1.51
2010	59,383,339,276	85,674,000	1.44

Note: 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.

Source: Equalized valuation amounts provided by Wisconsin Department of Revenue.

EQUALIZED VALUATIONS

All equalized valuations of property in the State of Wisconsin are determined by the State of Wisconsin, Department of Revenue, Supervisor of Assessments Office. Equalized valuations are the State's estimate of full market value.

The State determines assessed valuations of all manufacturing property in the State. Residential and commercial property located within the District are assessed annually by the local assessors. At hearings held each year a taxpayer may appeal the assessment of his property to the Board of Review of the local municipality. The Board of Review consists of local assessors and local officials. The assessors do not vote on final determinations.

Set forth in the table below are equalized valuations of property located within the District for the past five years, reflecting the effect of Tax Incremental Districts ("TID"):

	Equalized Valuation	Equalized Valuation
Year	(TID-IN)	(TID-OUT)
2014	\$57,151,739,300	\$54,607,126,500
2013	56,031,757,800	53,567,657,800
2012	56,637,438,900	54,435,721,000
2011	59,760,633,490	57,252,275,690
2010	61,995,778,776	59,383,339,276

Source: Wisconsin Department of Revenue.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

	Fiscal Year					
Municipality	2014	2013	2012	2011	2010	2009
Bayside	4,376	4,380	4,380	4,383	4,300	4,170
Brown Deer	12,157	12,086	12,065	12,001	11,999	11,720
Cudahy	18,224	18,227	18,247	18,253	18,267	18,650
Fox Point	6,676	6,630	6,644	6,665	6,701	6,803
Franklin	35,702	35,810	35,520	35,504	35,451	33,700
Glendale	12,773	12,845	12,808	12,833	12,872	12,980
Greendale	14,144	14,165	14,123	14,027	14,046	13,950
Greenfield	36,687	36,770	36,740	36,672	36,720	36,300
Hales Corners	7,678	7,691	7,683	7,685	7,692	7,646
Milwaukee	595,993	596,500	595,425	595,525	594,833	584,000
Oak Creek	34,707	34,695	34,530	34,495	34,451	32,600
River Hills	1,584	1,587	1,591	1,593	1,597	1,634
St. Francis	9,465	9,462	9,452	9,448	9,365	8,936
Shorewood	13,183	13,189	13,174	13,177	13,162	13,360
Wauwatosa	46,766	46,705	46,320	46,380	46,396	45,800
West Allis	60,272	60,300	60,300	60,365	60,411	60,600
West Milwaukee	4,197	4,205	4,200	4,206	4,206	4,029
Whitefish Bay	14,105	14,126	14,105	14,109	14,110	13,820
Total District						
population	928,689	929,373	927,307	927,321	926,579	910,698
Total population served by the						
District (1)	1,074,101	1,074,130	1,071,835	1,071,622	1,051,876	1,054,725

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

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

Per Return Adjusted Gross Income

	State of	Milwaukee
	<u>Wisconsin</u>	<u>County</u>
2012	\$49,900	\$44,460
2011	47,640	42,830
2010	46,958	41,932
2009	45,372	41,704
2008	47,046	43,557

Source: Wisconsin Department of Revenue, Division of Research and Policy.

Unemployment Rates

	U.S.	State of Wisconsin	Milwaukee County
December, 2014	<u>5.4%</u> 5.4%	5.0%	5.9%
December, 2013	6.5	5.8	7.2
Average, 2014 Average, 2013 Average, 2012 Average, 2011 Average, 2010	6.2% 7.4 8.1 8.9 9.6	5.5% 6.7 6.9 7.5 8.5	7.0% 8.3 8.5 9.1 9.9

Source: Wisconsin Department of Workforce Development and U.S. Bureau of Labor Statistics.

Largest Employers in the Milwaukee Metropolitan Area

2014 **Employment** Type of Business or Service Employer Estimates 30,832 (1) Aurora Health Care Health Care 10,700 (2) U.S. Government (Includes Zablocki V.A. Medical Center) Government Wheaton Franciscan Healthcare **Health Care** 10,687 Milwaukee Public Schools 9,493 Education Froedtert Health 9.028 **Health Care** Roundy's Supermarket 9.000 Retail grocer Kohl's Corporation 7,400 Specialty department stores City of Milwaukee 7,013 Government 6,700 **Quad Graphics** Commercial printing GE Healthcare Technologies 5,800 Medical imaging, healthcare services Medical College of Wisconsin Medical school/academic/health care 5,400 Columbia-St. Marv's 5.400 Health care provider Northwestern Mutual Life 5,000 Insurance Pro Healthcare, Inc. 4,700 Health care provider Children's Hospital of Wisconsin 4,471 Health care Milwaukee County 4,196 Government University of Wisconsin-Milwaukee 4,160 Education Goodwill Industries of Southeastern Wis., Inc. 4,055 Training programs, retail, food service, packaging and assembly Finance/banking U. S. Bank 3,639 **BMO Harris Bank** 3,390 Finance/banking Piggly Wiggly 3,307 Retail grocer 3.100 Manufacturer, electrical/electronic products Rockwell Automation Manufacturer, of electronic control Johnson Controls, Inc. 3,094 systems, automobile interior modules Marcus Corporation 3,044 Hotels, resorts and movie theaters WE Energies 3,029 Electric/natural gas utility

Source: The 2014-2015 Business Journal Book of Lists, employer contacts February 2015 and the U.S. Bureau of Labor Statistics March 2015.

⁽¹⁾ Aurora's employee number includes four hospitals, rehabilitation, homecare and hospice facilities and its corporate office within a seven-county area including the Milwaukee County area. Does not include northern Illinois facilities. (2) As of December 2014.

Ten Largest Taxpayers (in Milwaukee County)

			2014		2005	5
				Percentage		
				of Total		Percentage of Total
			Equalized	Equalized	Equalized	Equalized
Name of Business		Type of Business	<u>Valuation</u>	Valuation*	<u>Valuation</u>	<u>Valuation</u>
Mayfair Mall LLC		Shopping Mall	\$406,619,043	0.73%	\$ 280,997,555	0.51%
Bayshore Town Center LLC		Shopping Mall	319,735,056	0.57		
Northwestern Mutual Life Insurance Co.		Insurance	308,805,419	0.55	254,665,793	0.46
US Bank Corp.		Finance/banking	276,645,450	0.50	239,447,655	0.44
BRE Southridge Mall LLC		Shopping Mall	161,689,036	0.29	144,953,765	0.26
Mandel Group		Real estate	158,094,613	0.28		
Wal-Mart/Sam's Club		Retail	145,863,534	0.26		
Metropolitan Associates		Real estate	126,746,156	0.23	127,736,983	0.23
Marcus Corp./Milw. City Center/Pfister		Hotels/ theaters/convention center	120,951,518	0.22	114,424,369	0.21
Forest County Potawatomi Community		Hotel/parking structure	84,939,679	0.15		
Covenant Health Care		Health care			146,277,236	0.27
411 East Wisconsin Avenue		Real estate			94,807,332	0.17
BMO Harris Bank	(a)	Banking			122,828,390	0.22
Towne Realty	(b)	Real estate			122,235,733	0.22
Total for Ten Largest Taxpayers			\$2,110,089,504	3.79%	\$ 1,648,374,811	3.31%

⁽a) Formerly M&I Marshall & IIsley Bank

Source: Milwaukee Metropolitan Sewerage District (non-industrial taxpayer); Milwaukee County (industrial taxpayer).

⁽b) Divested Holdings

^{*}Based on the TID OUT valuation of Milwaukee County.

INDEBTEDNESS OF THE DISTRICT (1)

Direct Indebtedness

Set forth below is the direct indebtedness of the District including principal and interest payments due on existing debt as well as the debt service on the Obligations. Interest on the Obligations reflects an average coupon rate of 3.675 percent. The average life of the Obligations is 12.258 years and the bond years are 1,225,758.89.

	Outoto	ndina	Class Water Fun	d Drogram Lagra			Less: Projected	Total Debt
	Outsta Bonds an	•	Clean Water Fund Program Loans As of February 26, 2015 (2)		Sorios 201E	Series 2015 Obligations		Service
Year	Principal	Interest	Principal	Interest	Principal	Interest	Offsetting Revenues ⁽³⁾	Requirements
2015	\$33,265,000	\$11,597,291	\$54,806,308	\$16,909,954	1 molpai	\$1,438,976	(\$621,029)	\$117,396,501
2016	34,840,000	9,926,784	55,990,399	15,548,129		3,700,225	(599,203)	119,406,333
2017	36,435,000	8,247,034	55,740,913	14,096,936		3,700,225	(574,277)	117,645,831
2018	15,725,000	6,460,546	56,259,701	12,646,689	\$4,330,000	3,700,225	(547,145)	98,575,016
2019	16,315,000	5,682,356	57,260,361	11,177,242	4,415,000	3,570,325	(516,212)	97,904,072
2020	17,100,000	4,892,511	57,753,454	9,690,614	4,550,000	3,437,875	(484,734)	96,939,720
2021	17.930.000	4,057,335	55,875,756	8,236,870	4,730,000	3,255,875	(451,739)	93,634,097
2022	11,355,000	3,143,523	43,429,092	6,995,750	4,965,000	3,066,675	(416,406)	72,538,632
2023	6,685,000	2,575,848	42,980,759	5,938,019	5,215,000	2,868,075	(380,125)	65,882,575
2024	6,955,000	2,251,818	43,104,424	4,888,493	5,475,000	2,659,475	(341,992)	64,992,217
2025	7,250,000	1,910,618	41,886,784	3,854,194	5,750,000	2,440,475	(325,366)	62,766,705
2026	7,565,000	1,550,818	37,925,805	2,882,237	5,920,000	2,210,475	(279,061)	57,775,273
2027	7,895,000	1,169,783	30,072,842	2,051,869	6,100,000	1,973,675	(229,349)	49,033,820
2028	8,245,000	767,845	24,275,157	1,387,333	6,280,000	1,729,675	(176,521)	42,508,490
2029	3,080,000	345,183	15,471,252	900,435	6,470,000	1,478,475	(120,814)	27,624,530
2030	3,195,000	177,323	15,180,114	523,583	6,665,000	1,219,675	(62,063)	26,898,631
2031	0	0	8,511,441	227,301	6,880,000	1,019,725	0	16,638,467
2032	0	0	2,574,511	83,509	7,105,000	778,925	0	10,541,945
2033	0	0	1,057,828	35,835	7,390,000	530,250	0	9,013,913
2034	0	0	836,226	10,975	7,760,000	271,600	0	8,878,802
	\$233,835,000	\$64,756,613	\$700,993,127	\$118,085,968	\$100,000,000	\$45,050,901	(\$6,126,037)	\$1,256,595,572
Less: 2015								
Sinking Funds	(33,265,000)	(11,597,291)	(54,806,308)	(16,909,954)	0	(1,438,976)	621,029	(117,396,501)
TOTAL	\$200,570,000	\$53,159,321	\$646,186,818	\$101,176,014	\$100,000,000	\$43,611,925	(\$5,505,008)	\$1,139,199,070

⁽¹⁾ Upon the award of the Obligations, the total outstanding amount of general obligation debt will be \$1,034,828,127, consisting of \$333,835,000 principal amount of District general obligation bonds and promissory notes, and \$700,993,127 principal amount of general obligation promissory notes under the State of Wisconsin Clean Water Fund Program.

(2) The District had outstanding loan commitments of \$40,925,210 as of December 31, 2014 from the Clean Water Fund Program. These commitments will be utilized for future construction of reclamation

⁽³⁾ Assumed direct payment interest credit from the United States Treasury in connection with the Series 2010L (Build America Bonds-Direct Payment). Receipt of the credits is expected but not assured. The Budget Control Act of 2011 (the "BCA") requires the Director of the United States Office of Management and Budget ("OMB") to calculate cuts each year for the next ten years to federal programs necessary to reduce spending to levels specified in the BCA, which cuts are referred to as sequestration. The Bipartisan Budget Act of 2013, as amended by U.S. Senate, 113th Congress, 2nd Session S.25, extends the reduction of subsidy payments for an additional three years through fiscal year 2024. The reductions to the subsidy payments in fiscal year 2015, as reported by OMB, will be 7.3% (reflected in the table above for 2015 and beyond). Such cuts may be avoided or mitigated if Congress takes action to postpone or change the provisions of BCA. The District cannot predict whether any such cuts to the subsidy amounts it expects to receive will occur in the future.

Overlapping Indebtedness

Set forth below is information relating to the outstanding general obligation overlapping indebtedness of the District.

	(Amount of Debt as of	Percent Allocable to	Outstanding Debt Allocable to
Name of Entity	December 31, 2014)	District	District
Villages and Cities:	.		*
Village of Bayside	\$15,178,665	100.00%	\$15,178,665
Village of Brown Deer	23,597,849	100.00	23,597,849
Village of Fox Point	11,062,421	100.00	11,062,421
Village of Greendale	17,405,000	100.00	17,405,000
Village of Hales Corners	6,211,444	100.00	6,211,444
Village of River Hills	6,772,277	100.00	6,772,277
Village of Shorewood	35,034,140	100.00	35,034,140
Village of West Milwaukee	8,721,653	100.00	8,721,653
Village of Whitefish Bay	41,200,767	100.00	41,200,767
City of Cudahy	23,988,464	100.00	23,988,464
City of Franklin	37,711,522	100.00	37,711,522
City of Glendale	35,525,000	100.00	35,525,000
City of Greenfield	40,355,000	100.00	40,355,000
City of Milwaukee	759,463,723	100.00	759,463,723
City of Oak Creek	84,840,000	100.00	84,840,000
City of Saint Francis	10,780,000	100.00	10,780,000
City of Wauwatosa	84,685,000	100.00	84,685,000
City of West Allis	75,644,912	100.00	75,644,912
Total Cities and Villages	\$1,318,177,837		\$1,318,177,837
Total School Districts	\$376,107,588	Varies	\$375,148,426
Milwaukee Area Technical College District	\$109,920,000	79.12	\$86,968,704
Milwaukee County	\$685,012,910	98.05	\$671,655,158
	\$2,489,218,335		\$2,451,950,125

Sources: Equalized value used to determine percentage of debt within District boundary from Wisconsin Department of Revenue. Net debt outstanding provided by the Milwaukee County Department of Administration.

NOTE: This summary may not reflect all of the District's outstanding overlapping and underlying indebtedness.

Future Financing

Over the next twelve months, the District anticipates issuing approximately \$20,000,000 of additional general obligation debt.

Default Record

The District has never defaulted on any prior debt repayment obligations.

Statistical Summary

The table below reflects direct, overlapping and underlying bonded indebtedness.

Equalized Valuation (2014) as certified by Wisconsin Department of Revenue	\$57,151,739,300
Direct Bonded Indebtedness (including the Obligations) (net of all 2015 principal payments)	\$946,756,819*
Direct, Overlapping and Underlying Bonded Indebtedness (including the Obligations)	\$3,398,706,944
Direct Bonded Indebtedness as a Percentage of Equalized Valuation	1.66%
Direct, Overlapping and Underlying Bonded Indebtedness as a Percentage of Equalized Valuation	5.95%
Population of District (2014 Estimate)**	928,689
Direct Bonded Indebtedness Per Capita	\$1,019.46
Direct, Overlapping and Underlying Bonded Indebtedness Per Capita	\$3,659.68

^{**}Sources: U.S. Department of Commerce, Bureau of the Census, Department Service Center, Wisconsin Department of Administration, District Cost Recovery Procedures Manual.

Debt Limit

As described under the caption "CONSTITUTIONAL AND STATUTORY CONSIDERATIONS AND LIMITATIONS CONCERNING THE DISTRICT'S POWER TO INCUR INDEBTEDNESS -- Debt Limit," the total indebtedness of the District may not exceed five percent of the equalized value of property in the District. Set forth in the table below is a comparison of the outstanding indebtedness of the District, including the Obligations and net of 2015 principal payments, as a percentage of the applicable debt limit.

Equalized Valuation (2014) as certified by Wisconsin Department of Revenue	\$57,151,739,300
Legal Debt Percentage Allowed	5.00%
Legal Debt Limit	\$2,857,586,965
General Obligation Debt Outstanding	\$946,756,819*
Unused Margin of Indebtedness	\$1,910,830,146
Percent of Legal Debt Incurred	33.13%
Percentage of Legal Debt Available	66.87%

^{*} As of February 26, 2015. On March 11, 2015 the District received \$2,646,818 from a Clean Water Fund Program loan draw. This amount is not included in the figures above.

FINANCIAL RECORDS

The District maintains its financial records on a calendar year basis. Appendix A hereto sets forth the General Fund financial statements of the District for the year ended December 31, 2013, which has been examined by Baker Tilly Virchow, Krause & Company, LLP, Independent Auditors, Madison, Wisconsin (the "Auditors"), and Draft/Unaudited Statements of Net Position and Draft/Unaudited Statements of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2014, which have been prepared by the District and have not been audited. The District did not ask the Auditors to perform any additional review in connection with this Official Statement.

FINANCIAL ADVISOR

Robert W. Baird & Co., Milwaukee, Wisconsin has been retained as Financial Advisor to the District in connection with the issuance of the Obligations.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Obligations have been purchased at a public sale by a group of Underwriters for whom Citigroup Global Markets Inc., New York, New York, is acting as Managing Underwriter. The Underwriters intend to offer the Obligations to the public initially at the prices which produce the yields set forth on the inside front cover of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Obligations to the public. The Underwriters may offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into investment trusts) at prices lower than the public offering prices. In connection with this offering, the Underwriters may over allocate or effect transactions which stabilize or maintain the market price of the Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The reoffering yields shown on the inside cover of this Official Statement have been provided by the Underwriter, and not by the District.

RATINGS

The District has received ratings on this issue of "AAA", "Aa1" and "AA+" from Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, respectively. Each rating reflects only the views of the rating agency furnishing the rating and any explanation of the significance of such rating may only be obtained from the rating agency furnishing the rating. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any revision or withdrawal of a rating may affect the market price of the Obligations.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Obligations, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Continuing Disclosure Agreement described under the heading "CONTINUING DISCLOSURE" neither the District nor the Underwriters undertake responsibility to bring to the attention of the owners of the Obligations any proposed change in or withdrawal of such rating or to oppose any such revision or withdrawal.

TAX STATUS

In the opinion of Co-Bond Counsel, under existing law, interest on the Obligations is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the Obligations is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The District must comply with certain requirements of the Internal Revenue Code for interest on the Obligations to be, or continue to be, excluded from gross income for federal income tax purposes. The District has agreed to comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the Obligations to be included in gross income for federal income tax purposes, perhaps even starting from the date the Obligations are issued. The proceedings authorizing the Obligations do not provide for an increase in interest rates or a redemption of the Obligations in the event interest on the Obligations ceases to be excluded from gross income. The opinions of Co-Bond Counsel will each be in substantially the form attached as Appendix B.

The opinions of Bond Counsel will be based on legal authorities that are current as of their date, will cover certain matters not directly addressed by those authorities, and will represent Bond Counsel's judgment regarding the proper treatment of the Obligations for federal income tax purposes. It is not binding on the Internal Revenue Service (the "IRS") or the courts, and it is not a guaranty of result. As to questions of fact, Bond Counsel will rely upon certified proceedings and certifications of public officials and others without independently undertaking to verify them.

Bond Counsel will express no opinion about other federal tax matters regarding the Obligations. Other federal tax law provisions may adversely affect the value of an investment in the Obligations for particular owners of Obligations. Prospective investors should consult their own tax advisors about the tax consequences of owning an Obligation.

Current and future legislative proposals, if enacted into law, may cause the interest on the Obligations to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the Obligations from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the marketability of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors regarding any current or future federal legislative proposals.

The IRS has an active tax-exempt bond enforcement program. Under current IRS procedures, parties other than the District, including owners of the Obligations, would have little or no right to participate in an IRS examination of the Obligations. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt obligations is difficult, obtaining independent review of IRS positions with which the District may disagree may not be practicable. Any action of the IRS, including selection of the Obligations for examination, the course or result of such an examination, or an examination of obligations presenting similar tax issues may affect the marketability of the Obligations and may cause the District to incur significant expense.

State of Wisconsin Income and Franchise Taxes

Interest on the Obligations is not exempt from current State of Wisconsin income or franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning an Obligation.

Original Issue Discount

The Obligations maturing in the year 2030 have been sold with original issue discount. Under existing law, any original issue discount on the Obligations is excluded from gross income for federal income tax purposes to the same extent as interest payable on such Obligations. The original issue discount is the excess of the principal amount of an Obligation over the issue price of that Obligation. The issue price of a maturity of the Obligations generally is the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such maturity of the Obligations were first sold.

Original issue discount on tax-exempt obligations accrues on a constant-yield-to-maturity method based on regular compounding. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner's tax basis in the obligations. The adjusted tax basis will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the obligations.

Owners of Obligations with original issue discount should consult their own tax advisors with respect to the federal tax consequences of owning such Obligations, including the computation of accrued original issue discount and the accrual of original issue discount allocable to owners that do not purchase their Obligations in the initial offering at the issue price. For certain corporations, a portion of the original issue discount that accrues in each year will be included in the calculation of federal alternative minimum tax liability. As a result, ownership of Obligations with original issue discount by such a corporation may result in an alternative minimum tax liability in the year of accrual, even though there has been no corresponding cash payment.

Owners of Obligations with original issue discount should also consult their own tax advisors with respect to the state and local tax consequences of owning Obligations. Under the applicable provisions governing the determination of state and local taxes, ownership of Obligations with original issue discount may result in a tax liability in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Premium

Obligations purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Obligations**") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Obligations, such as the Premium Obligations, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax exempt interest treated as received, and a Beneficial Owner's basis in a Premium Obligation, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Obligations should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will <u>not</u> designate the Obligations as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Internal Revenue Code, relating to the ability of certain financial institutions (within the meaning of Section 265(b)(5) of the Internal Revenue Code) to deduct 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations from income for federal income tax purposes.

BOOK-ENTRY-ONLY SYSTEM

The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a document prepared by DTC entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." The District makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the bookentry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed

amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Obligations within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OBLIGATIONS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE OBLIGATIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE OBLIGATIONS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF OBLIGATIONS.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934 (the "Continuing Disclosure Rule"), the District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") for the benefit of owners, including beneficial owners, of the Obligations to provide certain financial information and operating data relating to the District annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices to the MSRB of the occurrence of certain events enumerated in the Continuing Disclosure Rule. The Continuing Disclosure Agreement provides that the annual financial information will be filed not later than 180 days after the end of each fiscal year. The District's fiscal year ends December 31st. The Continuing Disclosure Agreement will be executed and delivered by the District at the time the Obligations are delivered, and will be in substantially the form attached hereto as Appendix C. A failure by the District to comply with the Continuing Disclosure Agreement will not constitute an event of default on the Obligations (although owners will have the right to obtain specific performance of the obligations under the Continuing Disclosure Agreement). Nevertheless, such a failure must be reported in accordance with the Continuing Disclosure Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the liquidity of the Obligations and their market price.

The District is required to file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

In the previous five years, the District has not failed to comply in all material respects with any previous undertakings under the Continuing Disclosure Rule to provide annual reports or notices of material events.

LEGAL MATTERS

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 other legal proceedings, claims and administrative actions arising in the normal course of business; however, the District believes that the resulting liability, if any, will not materially affect its financial condition.

State of Wisconsin

State of Wisconsin v. MMSD, Case No. 02-CV-002701, Milwaukee County Circuit Court. The State filed suit alleging violations of discharge permit prohibitions against the discharge of sewage from separated sewerage systems. The State and the District reached a stipulated agreement in 2002 resolving this litigation which required the District to expend an estimated \$900 million through 2010 on upgrades to the District's collection system. The upgrades to the system are completed. The District is in full compliance with the Stipulation.

Bostco LLC and Parisian, Inc. (Property Damages)

Bostco LLC and Parisian, Inc. v. MMSD, Case No. 03-CV-005040, Milwaukee County Circuit Court. A suit was filed in 2003 for alleged damages to the foundation of the Boston Store property. The damage was allegedly caused by groundwater drawn down from a District construction project. After multiple appeals, this matter was resolved in January 2015 by agreement of the parties and the case was dismissed. MMSD agreed to a total payment of \$6 million to plaintiffs, with the first \$3 million paid immediately, and a second payment of \$3 million due to plaintiffs by 2015 year end, provided that the siting of the anticipated new Milwaukee Bucks sports arena does not impact the Boston Store site. Under the terms of the settlement, if the Bucks arena siting decision affects the site, the second \$3 million payment will not be due to plaintiffs.

G & D Development Corporation, et al. v. City of Milwaukee and MMSD, Milwaukee County Circuit Court Case No. 13-CV-000850 (Property Damages)

Plaintiffs seek, under terms of an easement, \$2.3 million in damages alleged to have occurred as result of flooding of buildings due to inadequate MMSD facilities. MMSD believes it has meritorious defenses to this claim.

Ronald Fratrick, et al. v. MMSD and City of Franklin, Milwaukee County Circuit Court Case No. 14-CV-001083

In 2010, the District reached an agreement with the City of Franklin whereby the City would obtain a Clean Water Fund Loan for the construction of a regional interceptor sewer in the southwest portion of the City of Franklin and the District would expand the service area boundary within the City, subjecting additional properties to District taxes. The District agreed, upon completion of the interceptor project, to assume control of the interceptor and repay the loan on behalf of Franklin (total claim amount approximately \$41 million). Franklin resident Ronald Fratrick, on behalf of himself and unnamed John and Jane Does (potentially more than 100 residents of the newly added service area), filed suit on February 6, 2014, alleging that the District failed to obtain legally adequate consent from the City of Franklin before adding the additional properties to the District's service area and the District's and the City's right to assess property taxes on the new sewer service area should be held to be legally unenforceable. On March 6, 2015, the Circuit Court granted the District's motion for summary judgment and dismissed the case. The time for appeal has not yet expired.

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 Agency ("U.S. EPA") under the Toxic Substances Control Act. The area for proposed remediation extends for roughly 8,000 linear feet (1.5 miles). The District has submitted a Risk Based Work Plan to the U.S. EPA for the remediation of Basin H. If approved by U.S. EPA, the estimated cost to implement the Work Plan is as much as \$5 million. The District has notified its insurance carriers of this liability, and expects this to be a covered liability.

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

The District has asserted a \$1.2 million claim against Advanced Disposal Services Emerald Park Landfill, LLC for the breach of the Agreement by the Landfill due to the Landfill's failure to supply during 2014 the guaranteed volume of landfill gas to the District. In addition, the District has asserted a claim for the same \$1.2 million against the Landfill's guarantor, Advanced Disposal Services Midwest, LLC.

Claim by MMSD against J.F. Ahern and CNA Surety for coating failures at South Shore and Jones Island Treatment Plants

A portion of paint application to Jones Island and South Shore clarifiers and equipment applied in 2010 through 2012 is failing (Contract Nos. J01008C01 and S02005C01). The extent of damages due to defective work is currently unknown, since some of the coated surfaces are not visible until the clarifiers are drained. A preliminary estimate of damages is \$500,000.

MUNICIPAL BANKRUPTCY

Municipalities (including the District) are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance that State law will not change in the future, while the Obligations are outstanding, in a way that would allow the District to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. If, in the future, the District were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the District could properly do so, which would involve questions regarding State law authority as well as other questions. If the relevant bankruptcy court concluded that the District could properly file a bankruptcy case, and that determination were not reversed, vacated, or otherwise substantially altered on appeal, then the rights of owners of the Obligations could be modified in bankruptcy proceedings. Such modifications could be adverse to owners of the Obligations, and there could ultimately be no assurance that holders of the Obligations would be paid in full or in part on the Obligations. Further, under such circumstances, there could be no assurance that the Obligations would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Obligations could be viewed as having no priority (a) over claims of other creditors of the District; (b) to any particular assets of the District, or (c) to revenues otherwise designated for payment to owners of the Obligations.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Co-Bond Counsel have not participated in the preparation of this Official Statement and will not pass on its accuracy, completeness or sufficiency. Co-Bond Counsel have not examined or verified any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto. The execution and delivery of this Official Statement has been duly authorized by the Commission.

AUTHORIZATION

This Official Statement has been approved for distribution to prospective purchasers by the Underwriters of the Obligations. The District will provide to the Underwriters, at the time of delivery of the Obligations, a certificate confirming to the Underwriters that, to the best of its knowledge, information, and belief, this Official Statement, together with any supplements hereto, on the date of the adoption of the Award Resolution and on the date of delivery of the Obligations, was true and correct in all material respects and did not at any time between those dates contain an untrue statement of a material fact or omit to state a material fact required to be stated, where necessary to make the statements in light of the circumstances under which they were made, not misleading.

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

BY:/s/	Ben Gramling	
	Chairperson	
/s/	Anna Kettlewell	
	Secretary	

APPENDIX A

FINANCIAL STATEMENTS

AND AUDITOR'S OPINION

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

Basic Financial Statements and Related Notes for the year ended December 31, 2013 and audit report of

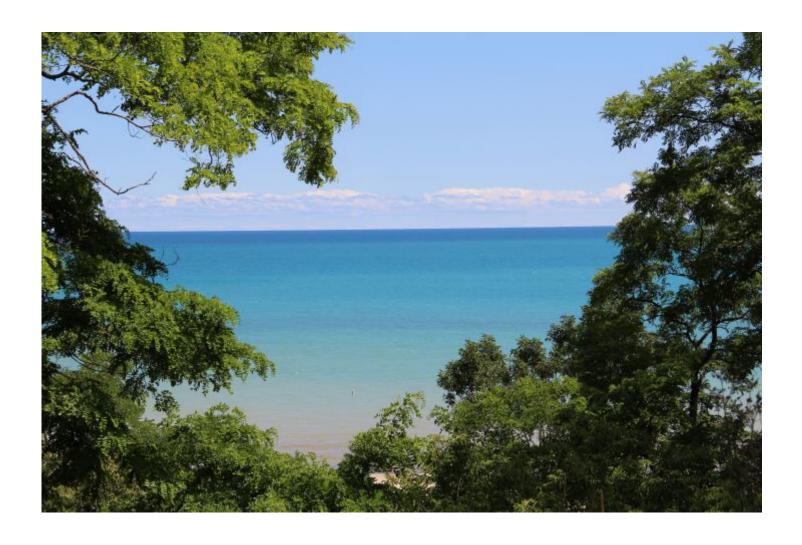
Baker Tilly Virchow, Krause & Company, LLP, Independent Auditors Madison, Wisconsin

And

Draft/Unaudited Statements of Net Position and Draft/Unaudited Statements of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2014

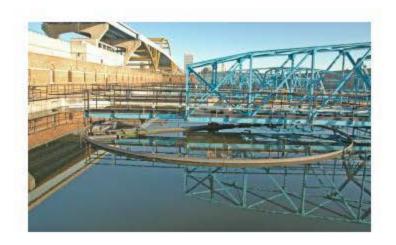
A copy of the District's Basic Financial Statements and Related Obligations for the fiscal year ended December 31, 2013, including the accompanying independent Auditor's report, and Draft/Unaudited Statements of Net Position and Draft/Unaudited Statements of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2014 is included as Appendix A to this Official Statement. Potential purchasers should read such financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested the Auditor to perform any additional examination, assessment or evaluation with respect to such financial statements since the date thereof, nor has the District requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the District on any date after the date of the financial statements, in connection with the issuance of the Obligations, the District represents that there has been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

2013 Comprehensive Annual Financial Report



For the Years Ended December 31, 2013 and 2012

Milwaukee Metropolitan Sewerage District Milwaukee, Wisconsin







Jones Island Water Reclamation Facility

2013

Comprehensive Annual Financial Report

For The Years Ended December 31, 2013 and 2012



Date of Incorporation

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

Finance Staff

Mark T. Kaminski, CPA, Controller/Treasurer



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Introductory Section







Green Infrastructure

Commission Organization Chart

MMSD Commissioners

Michael A. West, Chair Ben Gramling, Vice Chair

Lyle A. Balistreri Tim Carpenter Milele A. Coggs Enrique E. Figueroa, Ph.D. John <u>R. Hermes</u> Carl Krueger Kris Martinsek** Leon A. Saryan, Ph.D. Lena C. Taylor

Policy, Finance and Personnel Committee

Lyle A. Balistreri, Chair John R. Hermes, Vice Chair Tim Carpenter Enrique E. Figueroa, Ph.D. Lena C. Taylor Michael A. West, Ex-Officio

Operations Committee

Ben Gramling, Chair Carl Krueger, Vice Chair Milele A. Coggs Enrique E. Figueroa, Ph.D. Leon A. Saryan, Ph.D. Michael A. West, Ex-Officio

Executive Director

Kevin L. Shafer, P.E.

Director of Legal Services

Susan B. Anthony

**Commissioner Martinsek was seated on the Commission as of December 18, 2013, but was not appointed to a Committee assignment until January 1, 2014. Commission Secretary

Anna Kettlewell

Commissioners of the Milwaukee Metropolitan Sewerage District

Michael A. West Commission Chair, President, Village of Fox Point





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

Lyle A. Balistreri

President,
Milwaukee Building &
Construction Trades Council,
AFL-CIO

Tim Carpenter

State Senator

Milele A. Coggs

Alderwoman, City of Milwaukee

Enrique E. Figueroa, Ph.D.

Associate Professor & Director, Roberto Hernandez Center, UW-Milwaukee

John R. Hermes

President, Village of Greendale

Carl Krueger

President, Village of Brown Deer

Kris Martinsek

Owner of Martinsek & Associates

Leon A. Saryan, Ph.D.

Retired, Aurora Health Care Technical Director of ACL Industrial Toxicology

Lena C. Taylor

State Senator

District Staff

Kevin L. Shafer, P.E. Executive Director

Anna Kettlewell

Commission Secretary

Susan B. Anthony

Director of Legal Services

Michael Martin

Director of Technical Services

Principal Advisors

Baker Tilly Virchow Krause, LLP Independent Auditors

Foley & Lardner

Bond Counsel

Robert W. Baird & Co.

Financial Advisor

Letter From The MMSD Chair - 2013

fficient and effective operations again guided the District to another successful year of water reclamation and flood management in 2013. The Milwaukee Metropolitan Sewerage District (MMSD) captured and cleaned 98.5% of all the wastewater and stormwater that entered the regional sewer system. This greatly exceeds the federal government's regulatory goal of 85% for the more than 700 cities with



Michael A. West Commission Chair President, Village of Fox Point

combined sewer systems in the United States. In fact, despite this goal, there are still many metropolitan areas in the country that do not meet that 85% goal and few, if any, match our level of performance.

To reduce the risk of sewer overflows and basement backups, MMSD is working closely with the 28 communities we serve to help repair leaky sewer pipes on private property. In 2013 alone, more than 3,600 laterals were repaired

and nearly 1,000 were inspected for structural integrity and leaks.

Currently, the District is in a much better position to be energy independent with the startup of our Landfill Gas Project in 2013. We now can transport landfill gas through a 19 mile-long pipeline and convert it to energy at our Jones Island Water Reclamation Facility. Our goal is to generate all of the energy we need at our two reclamation facilities by the year 2035.

MMSD's programs and projects contributed significantly to the regional economy, supporting more than 3,300 full and part time jobs in 2013 in the private sector. That translates to 415,000 hours of work.

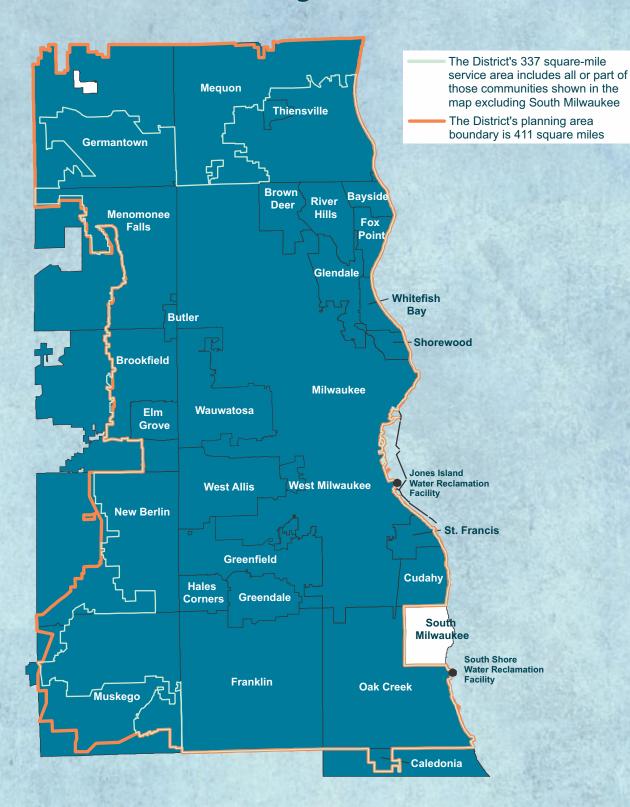
Sincerely,

Michael A. West

Commission Chair



Milwaukee Metropolitan Sewerage District





June 11, 2014

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, 2013.

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

Baker Tilly Virchow Krause, LLP, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ended December 31, 2013 and 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

District's internal control over financial reporting. Accordingly, Baker Tilly Virchow Krause, LLP expresses no such opinion. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal years ended December 31, 2013 and 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE DISTRICT

General

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

Legal Boundary

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

Milwaukee Metropolitan Sewerage District

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

Service Area

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

Service Responsibilities and Powers

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

Governance

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

Budgets

The District's annual Operation and Maintenance, and Capital budgets are financial plans outlining the established expenditures for programs or projects already authorized or to be considered by the District's

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

The Milwaukee metropolitan area continues to reflect a solid economic base and diversification despite the most significant national economic recession since the 1920's. The District's taxable valuation has declined an average of 3.5% annually over the last five years. After years of continuing increases in taxable valuation every year from 1983 through 2008 (a 219% increase) the taxable valuation has declined a total of 16.1% in the last five years. The District's ten largest taxpayers make up only 3.8% 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.

In past years, another indicator of the Milwaukee area economy has been the stability in the unemployment rate. The unemployment rate in Milwaukee County was 8.3% in 2013 compared to 8.4% in 2012. The above-mentioned diversification in the area economy will help soften the impact of the recession on the local economy in the short-term and provide for a stable economic profile over the long-term.

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 2014 operating budget include:

- \$69.2 million in budgeted sewer user charge billings for 2014, a 1.75% increase from 2013. The annual average District household charge of \$120.68 in 2014 represents an increase of \$2.48 or 2.1% from the 2013 amount of \$118.20.
- Total O&M expenditures were budgeted at \$87.5 million, 1.9% higher than in 2013.
- The 1.9% or \$1.6 million increase in expenditures is primarily due to a \$1.4 million for the funding of green infrastructure. Green infrastructure for the first time is a component of the District's new Wisconsin Pollution Discharge Elimination System (WPDES) permit. In addition, there are increases in expenditures for energy related to price increases in natural gas and electricity, contractual increases in the Veolia Water Milwaukee operating contract and new initiatives such as improving the District's asset management plan and evaluating wetland mitigation opportunities.
- Offsetting some of the above increases is that the
 District is returning a surplus from fiscal year 2012
 totaling \$7.8 million, which is \$2.1 million higher
 than in 2013's budget. The increase in surplus also
 allowed the District to contribute \$1 million to its
 user charge stabilization fund, which will total \$9.6
 million at December 31, 2014.

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

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

The six-year plan provides for \$494 million in capital project and program expenditures from 2014 through 2019, primarily for rehabilitation, upgrade or replacement of assets at the District's two water reclamation facilities, private property infiltration and inflow reduction, wet weather peak flow measurement and development of green infrastructure solutions.

The 2014 Capital Budget continues the Private Property Infiltration and Inflow (PPI/I) Reduction program which began in 2010. One of the primary causes of system capacity problems is the amount of clear water entering

the system through infiltration and inflow from private property, such as aging or deteriorating laterals, or foundation drains. The District's PPI/I Reduction program provides funding to municipalities to remedy I/I from private property sources within their municipalities. The long-range financing plan includes \$60 million in planned funding for municipalities to remedy I/I from private property from 2010 through 2020.

In order to fund projected capital expenditures within the District's financing objectives, the tax levy is budgeted to increase 2.85% for 2014 and projected to increase 4% annually thereafter through 2019.

Operating Contract

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

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

LANDFILL GAS PIPELINE PROJECT

The District has designed and built a low-pressure pipeline approximately 19 miles long to transport landfill gas from Advance Disposal Services Emerald Park Landfill in Muskego, to fuel the District's Jones Island Water Reclamation Facility, providing 20 to 40 years of green energy and drastically reducing greenhouse gas emissions by an estimated 500,000 tons each year. The pipeline is scheduled to begin full operations in early 2014.

In addition to the landfill gas pipeline project, the District has installed three new turbines capable of transforming landfill gas into electricity. The pipeline and turbine projects are estimated to cost approximately \$87 million. These projects are estimated to result in savings to District customers exceeding tens of millions of dollars over a 20-year period, depending on natural gas prices.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2012. This was the 35th consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The District received the GFOA's Distinguished Budget Presentation Award for its 2012 annual budget document. In order to qualify for the distinguished Budget Presentation Award, the District's budget document was judged to be proficient in several categories. These categories include presentation as a policy document, financial plan, operations guide, and a communications device.

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

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

Kevin L. Shafer, P.E. Executive Director

Tevin 2. &

Mark T. Kaminski, CPA Controller/Treasurer

The GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Milwaukee Metropolitan Sewerage District for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This is the 35th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Milwaukee Metropolitan Sewerage District, Wisconsin

> For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2012

July " Door

Financial Section







Construction Projects



Baker Tilly Virchow Krause, LLP Ten Terrace Ct, PO Box 7398 Madison, WI 53707-7398 tel 608 249 6522 fax 608 249 8532 bakerfilly.com

INDEPENDENT AUDITORS' REPORT

To the Commissioners Milwaukee Metropolitan Sewerage District Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Milwaukee Metropolitan Sewerage District, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Milwaukee Metropolitan Sewerage District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Metropolitan Sewerage District as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Policy, Finance, and Personnel Committee Milwaukee Metropolitan Sewerage District

Emphasis of Matters

As discussed in Note 2, Milwaukee Metropolitan Sewerage District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

As discussed in Note 13 to the financial statements, the 2012 financial statements have been restated to correct a material misstatement related to the reporting of capital program costs. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The Introductory Section and Statistical Section as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

safor Tilly Vinchow Krause, LLP

In accordance with Government Auditing Standards, we have issued our report dated June 11, 2014 on our consideration of Milwaukee Metropolitan Sewerage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Milwaukee Metropolitan Sewerage District's internal control over financial reporting and compliance.

Madison, Wisconsin June 11, 2014



Management's Discussion and Analysis



As management of the Milwaukee Metropolitan Sewerage District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2013 and December 31, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 8-11 of this report.

FINANCIAL HIGHLIGHTS

- The District's net position of \$2.6 billion remained unchanged over the course of this year's operation.
- The District has a surplus balance of \$4.1 million for its unrestricted net position. This represents a decrease of \$6.8 million from the balance of \$10.9 million at December 31, 2012.
- In accordance with GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, at December 31, 2013, the District has recorded a liability of \$36.9 million related to these benefits. At December 31, 2013, the actuarial accrued liability of \$178.6 million is being amortized as a level dollar amount and the amortization period is open and is 30 years. See footnote 11 to the financial statements for further details.
- At December 31, 2013 the District had recorded an intergovernmental loan for \$24.6 million. This loan is with City of Franklin for costs related to constructing the Ryan Creek Interceptor in accordance with District standards and which the District will purchase from Franklin. The District will make payments to Franklin, beginning in 2015, equal to Franklin's annual payments toward repaying its loan with the Clean Water Fund Loan Program used to finance the construction of the interceptor. On January 3, 2017, the District is to make a payment to reimburse Franklin for the sums Franklin has paid toward the Clean Water Fund Program loan through 2014.
- During 2013, the District received \$40.7 million in loan proceeds from the State of Wisconsin Clean Water Fund Loan Program. The issuance of this new debt, along with the other general obligation debt, brings the District's outstanding debt at December 31, 2013 to \$970.3 million. This is a decrease of \$38.7 million over the balance at December 31, 2012. The District's debt limit rate decreased to 1.73% from 1.78% as compared to the statutory limit rate of 5%.
- The 2012 financial statements have been restated to correctly classify costs incurred for the private property inflow and infiltration (PPI/I) reduction program in which the District provides funding to local municipalities to help address I/I sources on private properties. During 2013 management performed a detail review of open capital projects and programs and determined that costs incurred for the (PPI/I) program remained in construction work in progress at December 31, 2012. These costs are to be expensed annually as the program does not result in an asset owned by the District. The effect of the restatement on previously issued fiscal year 2012 financial statements can be found in Note 13 to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

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

As can be seen in Table A-1 on page 17, the largest portion of the District's net position (96.4% at December 31, 2013) 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 and to maintain and improve watercourses for the entire District service area; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

As shown in Table A-1, current, other assets and noncurrent assets decreased \$11.5 million or 4.1% from 2012 to 2013. The primary reason for the decrease is the \$15.2 million decrease in funds remaining from its 2010 general obligation bond issue. This decrease was related to planned expenditures for these funds, and was partially offset with increases in the District's debt service fund and general funds on hand. In addition, because of low interest rates for investments during the past few years, the District continues to delay requesting loan funds from the State of Wisconsin Clean Water Fund program, to avoid paying interest costs ranging from 2.20% to 2.751%. Although this action continues to reduce working capital on hand, the District avoided interest costs (\$575,000 in 2013) on these loans.

As can be seen from Table A-1, total liabilities decreased approximately \$40.5 million or 3.7% from 2012 to 2013. The decrease is primarily attributable to the planned pay down of District general obligation issued debt and Clean Water Fund Program loans.

The increase in restricted net position from 2012 to 2013 is due primarily to the decrease in outstanding accounts payable at year as the District proceeded in its planned decrease in project spending related to its

See accompanying independent auditors' report.

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

	<u>2013</u>	Restated 2012	<u>2011</u>	Percentage Increase (Decrease) 2013 Versus 2012
Current and Other Assets	\$208,492	\$215,830	\$193,355	(3.4)%
Noncurrent Assets	57,750	61,883	64,869	(6.7)
Capital Assets	3,472,298	<u>3,498,089</u>	<u>3,465,839</u>	(0.7)
Total Assets	<u>3,738,540</u>	<u>3,775,802</u>	<u>3,724,063</u>	(1.0)
Current Liabilities	107,017	107,681	91,368	(0.6)
Noncurrent Liabilities	957,945	997,828	957,127	(4.0)
Total Liabilities	1,064,962	<u>1,105,509</u>	1,048,495	(3.7)
Deferred Inflows of Resources	<u>117,777</u>	<u>116,109</u>	<u>113,775</u>	1.4
Investment in Capital Assets	2,464,531	2,466,406	2,505,430	(0.1)
-Restricted	87,139	76,873	41,875	13.4
-Unrestricted	<u>4,131</u>	<u>10,905</u>	<u>14,488</u>	(62.1)
Total Net Position	<u>\$2,555,801</u>	<u>\$2,554,184</u>	<u>\$2,561,793</u>	0.1

capital improvements program. With respect to unrestricted net position, the District has elected to fund its long-term liability related to postretirement health and life insurance as it comes due rather than when it is incurred. The total long-term liability related to this benefit was \$36.9 million at December 31, 2013 with an unfunded actuarial accrued liability of \$178.6 million, amortized as a level dollar amount and the amortization period is open and is 30 years. The amortization of the unfunded actuarial accrued liability is the primary reason for the annual decrease in unrestricted net position.

As shown in Table A-1, current, other assets and noncurrent assets increased \$19.5 million or 7.5% from 2011 to 2012. Because of low interest rates for investments during the past few years, the District has delayed requesting loan funds from the State of Wisconsin Clean Water Fund program, to avoid paying interest costs ranging from 2.20% to 3.00%. Although this action reduced working capital on hand, the District avoided interest costs (\$848,000 in 2012) on these loans.

In September of 2012, the District accelerated the amount of loan funds requested in order to have funds on hand to abate the District's 2012 tax levy. The funds from the Clean Water Fund Program loans are for paid expenditures. This action was necessary since the planned District's 2012 tax levy would not have generated enough funds to meet its 2013 debt service needs. For District issued general obligation bonds and loans from the Clean Water Fund Program, the District is required by law to issue an irrepealable, direct annual tax in an amount sufficient to pay the principal of and interest on the bonds and loans for the following year. The required tax levy can be reduced in any year by the amount of any surplus funds in the District's debt service funds. Thus, the 7.5% increase in current and other assets is the result of a \$19 million increase in the District debt service funds at the end of 2012 when compared to 2011 amounts.

As can be seen from Table A-1, total liabilities and deferred inflows of resources increased approximately \$59.3 million or 5.1% from 2011 to 2012. In 2012 the District recorded an intergovernmental loan for \$22.1 million. This loan is with City of Franklin for costs related to constructing the Ryan Creek Interceptor in accordance with District standards and which the District will purchase from Franklin. In addition to the City of Franklin loan, the remaining increase is due to additional borrowing from the Clean Water Fund Program to fund capital expenditures.

The increase in restricted net position from 2011 to 2012 is due to primarily to the increase in debt service funds as noted above. With respect to unrestricted net position, the District has elected to fund its long-term liability related to postretirement health and life insurance as it comes due rather than when it is incurred. The total long-term liability related to this benefit was \$32.6 million at December 31, 2012 with an unfunded actuarial accrued liability of \$168 million, amortized as a level dollar amount and the amortization period is open and is 30 years. The amortization of the unfunded actuarial accrued liability is the primary reason for the annual decrease in unrestricted net position.

While the Summary of Net Position (Table A-1) shows the change in our

See accompanying independent auditors' report.

financial position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 on page 18, for the fiscal year ended 2013, total revenues slightly increased by \$5.8 million or 3.1% and expenses decreased by \$4.6 million or 2.3%. The major factors, which drove these results, include:

- Total user charges remained essentially the same from 2012, despite a budgeted 2.0% increase for sewer user charge billings. Less than expected wasteloads for noncertified commercial users resulted in the District having an unfavorable variance of \$606,000 and in 2012 actual sewer user charges exceeded budget by \$750,000.
- The District's Milorganite® revenue decreased \$160,000 or 2.0% in 2013 after revenue increased 7.9% or \$575,000 in 2012. Although competitive pressures continue, combined with a struggling economy, staff's short-term improvement measures resulted in approximately 6,294 more tons being sold in 2013, but offsetting the increase in tonnage sold was a decrease in the average net selling price of \$21.74 per ton from 2012 to 2013.
- Excluding depreciation, operating expenses in 2013 increased \$2.2 million or 2.6% over the amount for 2012. This was consistent with the budgeted increase of 2.4%.
- Nonoperating revenues increased \$6.1 million or 5.4%. The primary reason for the increase is because in 2013 the loss from disposal of capital assets was reduced from \$5 million in 2012 to \$1.6 million. In 2012 and 2013 these losses were related to the capital costs for the acquisition and removal of structures as part of the Kinnickinnic River flood management. The purpose of this project is to reduce the risk of structures being in the 1% probability floodplain and improve public safety along the Kinnickinnic River. The project includes the acquisition and removal of 84 structures. In addition to the reduction of the loss in disposal of capital assets in 2013 the District's tax levy increased by 2.5%.
- The decrease in nonoperating expenses in 2013 is the result of two items. In 2012, \$8.8 million of land was contributed to municipalities as compared to only \$0.2 million in 2013. The District's Greenseams Program is a land acquisition effort to assist in the prevention of long-term flooding issues and reduce polluted stormwater runoff in environmental corridors. Purchasing natural wetlands to retain stormwater is significantly less expensive than the cost to provide engineered solutions to stormwater and flood management problems. After acquisition, these properties are donated to the municipality and provide multiple benefits in the form of open space, wildlife habitat and passive recreation. The second reason is a decrease in expenditures of \$2.7 million for the District's PPI/I program.

For the fiscal year ended 2012, total revenues slightly decreased and expenses increased by \$13.9 million or 7.7%. The major factors, which drove these results, include:

 Total user charges remained essentially the same from 2011, primarily due to a 0% budgeted change for sewer user charge billings. Greater than expected wasteloads allowed the District to

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

Operating Revenues:	<u>2013</u>	Restated 2012	<u>2011</u>	Percentage Increase (Decrease) 2013 Versus 2012
User Charges	\$69.572	\$69.578	\$69.570	0.0%
Fertilizer	7.667	7.827	7.252	(2.0)
Other	<u>1,158</u>	<u>1,229</u>	<u>1,693</u>	(5.8)
Total Operating Revenues	78,397	78,634	78,515	(0.3)
Nonoperating Revenues:				
Property Tax	88,626	\$86,485	\$85,212	2.5
Capital Charges - Municipalities Outside the Distr		27,562	24,864	3.1
Other	443	(2,609)	<u>2,908</u>	117.0
Total Nonoperating Revenues	<u>117,493</u>	<u>111,438</u>	<u>112,984</u>	5.4
Total Revenues	<u>195,890</u>	<u>190,072</u>	<u>191,499</u>	3.1
Operating Expenses: Systems - Operation and Maintenance Laboratory and Research Services Industrial Waste and Conveyance Monitoring Finance, Engineering and Administration	57,130 2,448 3,227 22,331	55,177 2,511 3,458 21,803	56,896 2,170 3,280 20,121	3.5 (2.5) (6.7) 2.4
Depreciation	<u>82,785</u>	<u>79,975</u>	<u>76,208</u>	3.5
Total Operating Expenses	167,921	162,924	158,675	3.1
Nonoperating Expenses	29,192	30,216	21,783	(3.4)
Land Contributed to Municipalities	<u>176</u>	<u>8,782</u>	<u>0</u>	(98.0)
Total Nonoperating Expenses	<u>29,368</u>	<u>38,998</u>	<u>21,783</u>	(24.7)
Total Expenses	<u>197,289</u>	<u>201,922</u>	<u>180,458</u>	(2.3)
Income (Loss) Before Capital Contributions	(1,399)	(11,850)	11,041	(88.2)
Capital Contributions	<u>3,016</u>	<u>4,241</u>	<u>2,049</u>	(28.9)
Change in Net Position	1,617	(7,609)	13,090	
Net Position at Beginning of Year	<u>2,554,184</u>	<u>2,561,793</u>	<u>2,548,703</u>	
Net Position at End of Year	<u>\$2,555,801</u>	<u>\$2,554,184</u>	<u>\$2,561,793</u>	

actually exceed the budgeted amount by \$750,000.

- The District's Milorganite® revenue increased \$575,000 or 7.9% in 2012 after revenue increased 3.5% or \$248,000 in 2011. Although competitive pressures continue, combined with a struggling economy, staff's short-term improvement measures resulted in approximately 5,305 more tons being sold in 2012, but offsetting the increase in tonnage sold was a decrease in the average net selling price of \$11.36 per ton from 2011 to 2012.
- Excluding depreciation, operating expenses in 2012 increased \$482,000 or only 0.6% over the amount for 2011.
- Nonoperating revenues decreased \$1.5 million or 1.4%. The primary reason for the decrease, as mentioned above, is a \$5 million loss from disposal of capital assets related to the capital costs for the acquisition and removal of structures as part of the Kinnickinnic River flood management project.
- The increase in nonoperating expenses in 2012 reflects land contributed to municipalities and a decrease in the amount of interest expense qualifying to be capitalized. As mentioned above, land contributed to municipalities shows an \$8,782,000 deduction for 2012.

CAPITAL ASSETS AND DEBT ADMINSTRATION

Capital Assets

As of December 31, 2013, the District's investment in capital assets amounted to \$3.5 billion (net of accumulated depreciation) as shown in Table A-3 below. The decrease of \$25.8 million in net capital assets for 2013 reflects an \$81.1 million increase in accumulated depreciation which exceeds the \$55.3 million in net additions to the asset base during 2013.

During 2014 the District expects to incur additional capital expenditures to rehabilitate, upgrade or replace assets at its two water reclamation facilities and conveyance system; continue to work on flood management projects, as well as work on sustainability projects and 2050 Facilities Planning. The District's current six-year capital expenditure forecast projects \$493.8 million in project and program

Tabl	ام Δ	-3	Can	ital	Assets	(000)
ıau	ie A	-5	Cap	ıtaı	MSSELS I	000 51

	2013	Restated 2012	2011	Percentage Increase (Decrease) 2013 Versus 2012
Land, Land Easements &				
Land Improvements	\$110,674	\$110,602	\$110,002	0.1%
Buildings	802,701	799,949	795,137	0.3
Machinery & Equipment	786,344	734,147	749,686	7.1
Aeration and Clarifier Tanks	85,249	83,235	62,692	2.4
Watercourse Improvements	342,415	340,369	328,408	0.6
Intercepting Sewer System & Rights	2,463,150	2,333,309	2,281,828	5.6
Construction in Progress	280,215	413,840	397,587	(32.3)
Subtotal	4,870,748	4,815,451	4,725,340	` 1.1´
Less: Accumulated Depreciation	(1,398,450)	(1,317,362)	(1,259,501)	6.2
Net Capital Assets	<u>\$3,472,298</u>	<u>\$3,498,089</u>	<u>\$3,465,839</u>	(0.7)%

See accompanying independent auditors' report.

expenditures over the six-year period from 2014 through 2019. During this period the capital improvement program continues its focus on asset management and sustainability rather than expansion of capacity.

The \$32.3 million increase in capital assets for 2012 was largely due to completion of a 19-mile pipeline to convey methane gas from a landfill in Muskego to the Jones Island WRF, construction of a building to house the turbines, and completion of an overflow pump station at 59th and State.

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, 2013 amounted to \$970.3 million. Included in this amount are \$265.7 million of general obligation bonds issued by the District.

The remaining balance of \$704.6 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 2.20% to 4.95%.

Fitch Ratings affirmed the District's current bond rating on November 13, 2012. The bond rating from Standard & Poor's was affirmed on March 4, 2014. Moody's Investor's Services downgraded the District's rating from Aaa to Aa1 on March 27, 2014. The current ratings are as follows:

Fitch Ratings | Investors Service | Standard & Poor's |
AAA | Aa1 | AA+

At December 31, 2013 the District has recorded an intergovernmental loan for \$24.6 million. This loan is with City of Franklin for costs related to constructing the Ryan Creek Interceptor in accordance with District standards and which the District will purchase from Franklin. The District will make payments to Franklin, beginning in 2015, equal to Franklin's annual payments toward repaying its loan with the Clean Water Fund Loan Program used to finance the construction of the interceptor. On January 3, 2017, the District is to make a payment to reimburse Franklin for the sums Franklin has paid toward the Clean Water Fund Program loan through 2014.

During 2010 the Wisconsin Department of Commerce agreed to lend the District up to \$5 million for the purpose of economic development pursuant to the American Recovery and Reinvestment Act of 2009. The loan was amended on March 1, 2012 for an additional \$945,000 of principal. The loan provides partial funding for the District's landfill gas turbine project. The loan is interest free for 5 years and is secured by the equipment purchased with the loan funds rather than a tax levy pledge. The outstanding loan balance at December 31, 2013 was \$4.3 million. Although it is the District's intent to pay off the loan on May 1, 2016, in the event the District decides not to pay off the loan on that date, interest then accrues at the rate of 6% until final payment. The District will avoid \$751,000 in interest costs during the interest free period ending May 1, 2016, when compared to the District's next lowest cost financing option.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for Milwaukee County was 8.3 percent for 2013, a decrease from the 8.4 percent rate for 2012. This compares to the state's unemployment rate of 6.7 percent and the national rate of 7.4 percent.
- Inflation in the metropolitan area was similar to the national consumer price index.
 - Milwaukee's inflation rate was 1.8% for 2013.
 - The average U.S. city rate was 1.5% for 2013.
- The equalized valuation for the District's service area (including communities outside the District) decreased by 1.4 percent in

2013, while 2013 user charge wasteloads changed as follows:

- Billable flows down 3.2%
- Pounds of Biochemical Oxygen Demand (BOD) up 0.2%
- Pounds of Total Suspended Solids (TSS) down 3.4%.

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

The District approved an \$87.5 million 2014 Operation and Maintenance Budget, an increase of \$1.6 million or 1.9% from 2013. The District's sewer user charge billings for 2014 are budgeted to increase 1.75% to \$69.2 million. The average District residential charge for 2014 is increasing \$2.48 to \$120.68, or 2.1% from the 2013 amount \$118.20.

Items of note in the 2014 Operations and Maintenance Budget include:

- Contractual fee increases of \$358,000 for the Veolia Water operating contract in the 2014 budget.
- A decrease of \$2.3 million in budgeted repairs to machinery and equipment to better reflect the capacity to complete work on such projects.
- \$1.4 million for implementation of Green Infrastructure programs related to a new requirement in the District's WPDES permit.
- Charges to capital are forecast to be \$130,000 lower than in 2013 as capital project and program expenditures in the District's Capital budget continue to decline. A reduction in capital charges is effectively an increase in operating expenditures since these expenditures are funded by the Capital budget.
- A contribution of \$1 million to the User Charge Stabilization Fund.
- A decrease in other income of \$922,000 budgeted in 2013 as a one-time reimbursement from FEMA for the repair of storm damage to District facilities which occurred in the summer of 2010

The District's Commission approved a 2014 Capital Budget that included a tax levy of \$91.2 million, an increase of 2.85% from the levy of the prior year. The tax rate increased 4.5% from \$1.63 to \$1.70 per \$1,000 of equalized value, primarily due to a 1.6% decrease in equalized value. Included in the Capital Budget is the current six-year financing plan that includes tax levy increases of 4% per year through 2019, while increasing the estimated tax rate from \$1.70 to \$1.86 per \$1,000 of equalized value.

In the summer of 2010, the District's service area and local systems experienced extreme wet weather events that exceeded system capacity. To address the great magnitude of the problem, the 2011 Capital Budget included a Private Property Infiltration and Inflow (PPI/I) Reduction program for \$151 million in anticipated funding from 2010 through 2020. The 2012 Capital Budget reduced the anticipated program funding in the extended long-range financing plan through 2020 to \$60 million. The 2014 Capital Budget maintains funding at \$5 million for 2014 through 2020. The funding for this program will be used to reimburse each of the 28 municipalities within the District service area as they incur expenditures addressing I/I issues on private property within their own municipality.

In addition to the PPI/I Reduction program, the current six-year financing plan provides for the continuation of efforts to rehabilitate, upgrade or replace assets at the District's two water reclamation facilities and conveyance system, provide for flood management and develop green infrastructure solutions. The six-year financing plan anticipates a decline in the level of capital project expenditures from \$101 million in 2014 to \$62 million in 2016 and then increase to \$105 million in 2019 as the District maintains its 25% cash financing objective during a period of planned increases in expenditures for debt service through 2017. The District has developed a long-range financing plan through 2020 to show the financial impact of implementing its 2020 Facilities Plan.

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 www.mmsd.com.

See accompanying independent auditors' report.

Exhibit A-1

Statements of Net Position

December 31, 2013 And 2012 Milwaukee Metropolitan Sewerage District

Assets		2013		Restated 2012
Current unrestricted assets:		(In Th	ous	ands)
Cash and investments	\$	25,375	\$	29,209
Receivables:		,	•	•
Billed user charges		5,853		5,757
Unbilled user charges		11,191		11,186
Fertilizer sales		1,074		1,318
Other		2,231		2,225
Inventories:				
Operating and maintenance supplies		2,872		3,049
Fertilizer	-	1,940		2,099
Total current unrestricted assets		50,536		54,843
Current restricted assets:		26 175		44 246
Cash and investments Receivables:		36,175		41,346
Tax levy		91,222		88,694
Capital charges – municipalities outside the District		28,403		27,600
Grant funds		1,360		1,761
Other		279		894
Prepaid expenses and other		517		692
Total current restricted assets	•	157,956		160,987
Total current assets		208,492		215,830
Noncurrent restricted assets:				
Investments		57,750		61,883
		0.,.00		0.,000
Capital assets, at cost:		70.504		70.540
Land		72,591		72,519
Land easements		18,545		18,545
Land improvements		19,538 802,701		19,538
Buildings Aeration and clarifier tanks		85,249		799,949 83,235
Machinery and equipment		786,344		734,147
Intercepting sewer system		2,438,585		2,333,309
Interceptor rights		24,565		
Watercourse improvement		342,415		340,369
Construction in progress		280,215		413,840
	•	4,870,748		4,815,451
Less accumulated depreciation		(1,398,450)		(1,317,362)
Net capital assets		3,472,298		3,498,089
Total assets	\$	3,738,540	- \$	3,775,802
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See accompanying notes to financial statements.



Liabilities		2013		Restated 2012	
Current liabilities (payable from current assets):		(In Thousands)			
Accounts payable	\$	6,929	\$	8,263	
Accrued salaries and wages		1,013		1,003	
Accrued vacation pay		1,097		1,070	
Other		410	_	460	
Total current liabilities (payable from current assets)		9,449		10,796	
Current liabilities (payable from restricted assets):					
Accounts payable		4,986		9,094	
Retainers payable		1,128		1,449	
Accrued interest		7,073		6,871	
Long-term obligations due within one year		84,381		79,471	
Total current liabilities (payable from restricted assets)		97,568	_	96,885	
Total current liabilities payable		107,017	_	107,681	
Noncurrent liabilities:					
Retainers payable		246		892	
Long-term obligations:					
General obligation bonds		239,208		272,607	
Clean Water Fund Program loans		652,818		664,655	
Intergovernmental loan		24,565		22,065	
Postretirement benefits		36,910		32,558	
Accrued vested sick pay		715		790	
State loans payable - long term		3,483		4,261	
Total long-term obligations		957,945		997,828	
Total liabilities	_	1,064,962		1,105,509	
Deferred Inflows of Resources					
Tax levies		91,222		88,694	
Capital charges – municipalities outside the District		26,351		27,104	
Unamortized gain on refundings	_	204		311	
Total deferred inflows of resources	_	117,777		116,109	
Total liabilities and deferred inflows of resources		1,182,739		1,221,618	
Net Position					
Net Position:					
Investment in capital assets		2,464,531		2,466,406	
Restricted – capital projects and programs		46,210		37,633	
Restricted – equipment replacement		14,411		14,411	
Restricted – debt service		26,518		24,829	
Unrestricted	_	4,131		10,905	
Total net position	\$	2,555,801	_\$_	2,554,184	

See accompanying notes to financial statements.

Exhibit A-2

Statements of Revenues, Expenses and Changes in Net Position

December 31, 2013 And 2012 Milwaukee Metropolitan Sewerage District

	_	2013		Restated 2012
Operating revenues:		(In Tho	usa	nds)
User charges	\$	/ -	\$	69,578
Fertilizer Other		7,667 1,158		7,827 1,229
Total operating revenues	_	78,397		78,634
Operating expenses:	_	_		
Systems – operation and maintenance		57,130		55,177
Laboratory and research services		2,448		2,511
Industrial waste and conveyance monitoring		3,227		3,458
Finance, engineering, and administration		22,331		21,803
Depreciation and amortization	_	82,785	_	79,975
Total operating expenses	_	167,921		162,924
Operating loss	_	(89,524)		(84,290)
Nonoperating revenues (expenses):				
Property taxes - capital		88,626		86,485
Investment income		591		826
Net increase (decrease) in fair value of investments		(644)		(335)
Interest expense		(24,293)		(22,663)
Capital charges – municipalities outside the District		28,424		27,562
Gain (loss) on disposal of capital assets		(1,582)		(5,033)
Capital program expenditures		(4,899)		(7,553)
Land contributed to municipalities		(176)		(8,782)
Other	_	2,078		1,933
Total nonoperating revenues, net		88,125		72,440
Income (loss) before capital contributions		(1,399)		(11,850)
Capital contributions	_	3,016		4,241
Change in net position	_	1,617		(7,609)
Net position at beginning of year		2,554,184		2,561,793
Net position at end of year	\$_	2,555,801	\$ _	2,554,184

Exhibit A-3

Statements of Cash Flows

December 31, 2013 And 2012

Milwaukee Metropolitan Sewerage District

		2013		Restated 2012
Cash flow from operating activities:		(In The	 ousar	ids)
Receipts from customers and users	\$	81,227		80,294
Payments for capital programs		(4,899)		(7,553)
Payments to suppliers		(69,687)		(65,987)
Payments to employees		(12,008)		(11,499)
Net cash provided (used) by operating activities		(5,367)		(4,745)
Cash flow from capital and related financing activities:	-	, ,		<u>, , , , , , , , , , , , , , , , , , , </u>
Acquisition and construction of capital assets		(63,310)		(133,265)
Proceeds from long-term debt issued		43,192		118,567
Principal payments on long-term obligations		(80,227)		(57,210)
Interest paid on long-term obligations (net of capitalized interest)		(25,767)		(24,053)
Government grant receipts and other contributions		2,900		3,165
Tax levy receipts		88,626		86,485
Capital charges – municipalities outside the District		26,868		26,825
Net cash provided (used) by capital and related financing activities		(7,718)		20,514
Cash flow from investing activities:		(1,1.15)		
Investment income		591		826
Purchase of investments		(15,140)		(42,518)
Proceeds from sale and maturity of investments		24,853		27,935
Net cash provided (used) by investing activities		10,304		(13,757)
Net (decrease) increase in cash and cash equivalents	-	(2,781)	_	2,012
Cash and cash equivalents at beginning of year		20,323		18,311
Cash and cash equivalents at beginning of year Cash and cash equivalents at end of year	Φ —	17,542	\$	20,323
Cash and Cash equivalents at end of year	Φ	17,542	Ψ =	20,323
Cash and cash equivalents as presented in the accompanying statements of net position:				
Current cash and investments	\$	25,375	\$	29,209
Current restricted cash and investments	Ψ	36,175	Ψ	41,346
Noncurrent restricted cash and investments		57,750		61,883
Non-cash equivalents		(101,758)		(112,115)
Cash and cash equivalents	\$	17,542	\$	20,323
	—	,	–	20,020
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$	(89,524)	\$	(84,290)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		, ,		, , ,
Depreciation		82,785		79,975
Postretirement benefits		4,352		4,870
Other nonoperating revenue		2,078		1,933
Capital program expenditures		(4,899)		(7,553)
Changes in current assets and liabilities:				
Current receivables and other assets		752		(273)
Prepaid expenses and other		162		484
Inventories		336		265
Accounts payable and other liabilities		(1,409)		(156)
Net cash (used in) provided by operating activities	\$	(5,367)	\$	(4,745)
Noncash investing, capital and related financing activities:				
Increase (decrease) in fair value of investments	\$	(644)	\$	(335)
Increase (decrease) in capital grants accrued		(401)		613
Increase (decrease) in receivables and unearned revenue for capital charges		` ,		
municipalities outside the District (net impact)		1,556		737
Capital assets contributed by others		517		463
Capitalized interest		6,587		7,917
Loss on disposal of capital assets		1,607		5,033
Land contributed to muncipalities		176		8,782

See accompanying notes to financial statements.

December 31, 2013 and 2012

(1) Basis of Presentation

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

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

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

(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.

In March 2012, GASB issued Statement No. 65 – Items Previously Reported as

In March 2012, GASB issued Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District implemented this standard effective January 1, 2012.

The following is a summary of the more significant policies.

(a) 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 liabilities are incurred.

(b) 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.

(c) Investments

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

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

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

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

The District invests in the Wisconsin Local Government Investment Pool (the Pool), which is part of the State Investment Fund (SIF) and is managed by the State of

Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission (SEC), but operates under the statutory authority of Wisconsin Chapter 25. The District's investment in the Pool is reported at fair value in the statements of net position. The fair value of the District's investment in the Pool equals the net realizable value of the District's share of the Pool (see note 3). The Pool is authorized by Wisconsin statutes to enter into investments on behalf of government entities within Wisconsin and, in certain circumstances, to enter into derivative transactions to maximize the yield on its investments. However, specific information about the Pool's derivative transactions is not available to the District.

(d) 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.

(e) Inventories

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

(f) Prepayments

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

(g) Restricted Assets

The District maintains specific investments held by the bank for safekeeping for funds intended for equipment replacement. The equipment replacement funds are classified as restricted assets and were approximately \$14,411,000 in 2013 and 2012. Also included in restricted assets are investments, receivables, and other assets available for restricted liabilities related to the District's capital improvement program of \$174,777,000 and \$183,630,000 in the same periods. Investments restricted for debt service were \$26,518,000 and \$24,829,000, respectively.

(h) 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 2013, to be collected in 2014, of \$91,222,000, have been included in deferred inflows of resources in the statements of net position at December 31, 2013, and are available for expenditure in 2014. Taxes levied in 2012, to be collected in 2013, of \$88,694,000, have been included in deferred inflows of resources in the statements of net position at December 31, 2012, and were available for expenditure in 2013.

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.

(i) Capital Contributions

Capital contributions consist of federal and state grants and funds from Milwaukee County 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.

(j) Capital Assets

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

Interest is capitalized on constructed assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest cost is amortized on the same basis as the related asset is depreciated. The amount of interest capitalized was \$6,587,000 and \$7,917,000 in 2013 and 2012, respectively.

Continued

December 31, 2013 And 2012



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.

(k) Vacation Pay

Vacation pay is accrued as earned and is to be used within one year. The accrued vacation pay of \$1,097,000 and \$1,070,000 at December 31, 2013 and 2012, respectively, is classified as a current liability.

(I) 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.

(m) Deferred Inflows of Resources

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

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

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

(n) 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.

(o) Vested Sick Pay

Prior to 1984, it was the District's practice that employees could accumulate unused sick pay to a maximum of 240 days, and upon retirement could receive payment for one-half of their accumulated days. In 1984, the accumulated unused sick pay for management employees was frozen at the balance earned as of December 31, 1983. The Union employees continued to accumulate unused sick pay until 2012. The accumulated sick pay for Union employees was frozen at the balance earned as of April 30, 2012. The frozen sick pay of the management employees is \$51,000 and \$43,000 at December 31, 2013 and 2012, respectively, and the frozen sick pay of the Union employees is \$1,064,000 and \$1,162,000 at December 31, 2013 and 2012, respectively. Of the total, \$715,000 and \$790,000 at December 31, 2013 and 2012, respectively, are classified as a long-term liability. The current portion is included with accrued salaries and wages.

(p) Net Position

Net position is displayed in three components as follows:

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

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

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

(q) 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.

(r) Gain (Loss) on Disposal of Capital Assets

Gains and losses on disposal of capital assets includes assets retired as well as

projects that were terminated and disposed of during the year.

(s) Capital Program Expenditures

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

(t) 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 retain a conservation easement.

(u) 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.

(v) New Accounting Pronouncements

In June 2012, GASB issued Statement No. 67 Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to define contribution plans that provide postemployment benefits other than pensions. The provisions of this statement are effective for calendar year 2014. The implementation of this statement is not anticipated to have an impact on the District's financial statements.

In June 2012, GASB issued Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this statement are effective for calendar year 2015. The implementation of this statement may restate portions of the financial statements.

In January 2013, GASB issued Statement No. 69 Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of this statement are effective for calendar year 2014. The implementation of this standard is not anticipated to have an impact on the District's financial statements.

In April 2013, GASB issued Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this statement are effective for calendar year 2014. The implementation of this standard is not anticipated to have an impact on the District's financial statements.

In November 2013, GASB issued Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provision of Statement No. 68 (calendar year 2014).

(w) Reclassification

Certain amounts in the 2012 financial statements may have been reclassified to conform with the classification used in 2013.

(3) Deposits and Investments

As of December 31, 2013, the District had the following investments and cash and cash equivalents (in thousands) and maturities:

	Carrying <u>Value</u>	Investment Less Than 1	Maturities (<u>1-2</u>	(in years) <u>3-5</u>
Checking	\$(1,505)	\$(1,505)	\$ -	\$ -
U.S. Instrumentalities	21,925	1,929	_	19,996
U.S. Treasuries	10,486	4,781	2,560	3,145
Local Government				
Investment Pool	78,747	78,747	_	_
Corporate Bonds	8,345	3,185	3,335	1,825
Certificates of Deposit	1,302	1,302	_=	
Total Cash and Investments	<u>\$119,300</u>	<u>\$88,439</u>	<u>\$5,895</u>	<u>\$24,966</u>

Continued

December 31, 2013 And 2012



As of December 31, 2012, the District had the following investments and cash and cash equivalents (in thousands) and maturities:

	Carrying	Carrying Investment Maturities (in		in years)
	<u>Value</u>	Less Than 1	<u>1-2</u>	<u>3-5</u>
Checking	\$(1,409)	\$(1,409)	\$ -	\$ -
U.S. Instrumentalities	21,005	2,106	4,323	14,576
U.S. Treasuries	15,176	4,574	7,423	3,179
Local Government				
Investment Pool	88,172	88,172	_	_
Corporate Bonds	7,643	1,040	6,603	_
Certificates of Deposit	1,302	1,302	_	_
Commercial Paper	549	<u>549</u>		_=
Total Cash and Investments	\$132,438	<u>\$96,334</u>	\$18,349	\$17,755

The checking account bank balance was \$45,817 and \$87,547 at December 31, 2013 and 2012, 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 2013 and 2012, 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 2013 and 2012, investments with maturities of less than 180 days, based on par value, comprised on average, 77.14% and 76.5%, respectively, of the District's month-end investment portfolio balance

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

The District investment policy further limits the purchase of commercial paper to issuers with a commercial paper program size of at least \$500,000,000, except for banks and companies located within the District's boundaries. The District did not hold any investments in commercial paper as of December 31, 2013. Investments in commercial paper were \$549,000 as of December, 31 2012. The District's investment in commercial paper was rated A-1 by Standard & Poor's and P-1 by Moody's Investors Services at December 31, 2012. The District's investment in corporate bonds at December 31, 2013, ranged from AA+ to AA by Standard & Poor's, or Aaa to A2 by Moody's Investors Service. The District's investment in corporate bonds at December 31, 2012, ranged from AA+ to A+ by Standard & Poor's, or Aaa to 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

At December 31, 2013 and 2012, 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, 2013, the District had more than 5% of the District's investments in the following issuer:

> **Percentage** Federal National Mortgage Association

As of December 31, 2012, the District had more than 5% of the District's investments in the following issuer:

Percentage

Federal National Mortgage Association

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 \$1,300,000 at December 31, 2013 and 2012. These deposits, excluding \$2,200 of accrued interest at December 31, 2013 and \$2,300 of accrued interest at December 31, 2012, are fully insured through a combination of federal and state deposit insurance

(4) Operating Contract and Expenses

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

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

The operation and maintenance and utility fees are subject to adjustments based on various indices. The total net expenditures related to the contract for the year ended December 31, 2013 were \$43,900,000 and for the year ended December 31, 2012 were \$42,399,000. The District continues to operate its industrial waste pretreatment program, engineering, central lab monitoring and research, Milorganite® sales, marketing, and distribution. Under the terms of the new contract with Veolia the District is liable for 75% of actual energy costs and Veolia is responsible for the remainder.

(5) Federal and State Grants

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

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

	Available	Outstanding Grants Receivable				
<u>G</u>	rant Funds	Billed	Unbilled	<u>Total</u>		
		(In Tho	usands)			
December 31, 20)13:					
Federal	\$12,461	\$567	\$ -	\$567		
State and other	1,054	<u>793</u>	_=	<u>793</u>		
	<u>\$13,515</u>	<u>\$1,360</u>	<u>\$ -</u>	<u>\$1,360</u>		
December 31, 20)12:					
Federal	\$12,737	\$1,717	\$ -	\$1,717		
State	<u>1,165</u>	<u>44</u>	_=	44		
	<u>\$13,902</u>	<u>\$1,761</u>	<u>\$ -</u>	<u>\$1,761</u>		

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.

(6) Capital Assets

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

	Balance, Beginning				Balance, End of
	of Year	Additions	Deductions	s Transfers	Year
		(In Thousand	s)	
Capital assets not being depred	ciated:				
Land	\$72,519	\$-	\$-	\$72	\$72,591
Construction in progress	413,840	62,980	6,670	(189,935)	280,215
Total capital assets not					
being depreciated	486,359	62,980	6,670	(189,863)	352,806
Capital assets being depreciate	ed:				
Land easements	18,545	_	_	_	18,545
Land improvements	19,538	_	_	_	19,538
Buildings	799,949	_	_	2,752	802,701
Aeration and clarifier tanks	83,235	_	_	2,014	85,249
Machinery and equipment	734,147	699	1,712	53,210	786,344
Intercepting sewer system	2,333,309	_	_	105,276	2,438,585
Interceptor rights		_	_	24,565	24,565
Watercourse improvements	340,369	_	_	2,046	342,415
Total capital assets					
being depreciated	4,329,092	699	1,712	189,863	4,517,942
Less accumulated depreciation	:				
Land easements	2,781	371	_	_	3,152
Land improvements	11,237	511	_	_	11,748
Buildings	331,562	15,301	_	_	346,863
Aeration and clarifier tanks	37,167	1,086	_	_	38,253
Machinery and equipment	372,341	27,490	1,696	_	398,135
Intercepting sewer system	521,636	32,987	_	_	554,623
Interceptor rights	_	246	_	_	246
Watercourse improvements	40,638	4,792	_	_	45,430
Total accumulated					
depreciation	1,317,362	82,784	1,696		1,398,450
Total capital assets	2 044 720	(00.005)	16	189.863	2 440 402
being depreciated, net Total capital assets,	3,011,730	(82,085)	16	109,863	3,119,492
net	\$3,498,089	\$(19,105)	\$6,686	\$ -	\$3,472,298

Continued

December 31, 2013 And 2012



Capital assets activity for the year ended December 31, 2012 was as follows:

	Balance, Beginning	A -1 -1141	D. doodless	T	Balance, End of
	of Year		Deductions In Thousands		Year
Capital assets not being depreci	atad:	(iri Triousarius,	,	
Land	\$71.919	\$-	\$ —	\$600	\$72.519
	397.587	پ 134.853	پ— 23.475	(95.125)	413.840
Construction in progress Total capital assets not	391,361	134,033	23,475	(95,125)	413,040
being depreciated	469,506	134.853	23.475	(94.525)	486.359
boing appropriated	100,000	101,000	20,110	(0.1,020)	100,000
Capital assets being depreciated	i:				
Land easements	18,545	_	_	_	18,545
Land improvements	19,538	_	_	_	19,538
Buildings	795,137	_	_	4,812	799,949
Aeration and clarifier tanks	62,692	_	_	5,419	83,235
Machinery and equipment	749,686	884	22,151	20,852	734,147
Intercepting sewer system	2,281,828	_	_	51,481	2,333,309
Watercourse improvements	328,408			11,961	340,369
Total capital assets					
being depreciated	4,255,834	884	22,151	94,525	4,329,092
Less accumulated depreciation:					
Land easements	2,410	371	_	_	2,781
Land improvements	10.726	511	_	_	11.237
Buildings	316,336	15.226	_	_	331.562
Aeration and clarifier tanks	21.099	944	_	_	37.167
Machinery and equipment	382.415	27.164	22.114	_	372.341
Intercepting sewer system	490.560	31.076		_	521.636
Watercourse improvements	35.955	4.683	_	_	40.638
Total accumulated	00,000	1,000			10,000
depreciation	1,259,501	79,975	22,114	_	1,317,362
Total capital assets					
being depreciated, net	2,996,333	(79,091)	37	94,525	3,011,730
Total capital assets, net	\$3,465,839	\$55,762	\$23,512	\$ -	\$3,498,089

The District had construction contract commitments of approximately \$21,668,000 and \$23,090,000 as of December 31,2013 and 2012, respectively.

(7) Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2013 were as follows:

	Beginning Balance	Additions	Reductio		Due Within One Year
General obligation bonds	\$296,380	\$-	\$(30,714)	\$265,666	\$31,831
Plus unamortized premium	6,942	_	(1,569)	5,373	
Total bonds payable	303,322	_	(32,283)	271,039	31,831
State of Wisconsin Clean Water Fund	712,634	40,692	(48,735)	704,591	51,773
Subtotal	1,015,956	40,692	(81,018)	975,630	83,604
Intergovernmental loan	22,065	2,500	_	24,565	_
Other long term debt	5,038	_	(778)	4,260	777
Other postretirement benef	its 32,558	9,380	(5,028)	36,910	_
Vested sick pay	1,205	_	(90)	1,115	400
Total	\$1,076,822	\$52,572	\$(86,914)	\$1,042,480	\$84,781

Changes in long-term obligations for the year ended December 31, 2012 were as follows:

	Beginning Balance	Additions	Reductio	Ending ns Balance	Due Within One <u>Year</u>
			(In Thousar	nds)	
General obligation bonds	\$309,080	\$-	\$(12,700)	\$296,380	\$30,715
Plus unamortized premium	8,601	_	(1,659)	6,942	
Total bonds payable	317,681	_	(14,359)	303,322	30,715
State of Wisconsin					
Clean Water Fund	661,200	95,556	(44,122)	712,634	47,979
Subtotal	978,881	95,556	(58,481)	1,015,956	78,694
Intergovernmental loan	_	22,065	_	22,065	-
Other long term debt	4,480	945	(387)	5,038	777
Other postretirement benefit	ts 27,688	9,651	(4,781)	32,558	_
Vested sick pay	1,610	56	(461)	1,205	415
Total	\$1,012,659	\$128,273	\$(64,110)	\$1,076,822	\$79,886

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 3.10% to 4.45% (effective interest rate of 4.13%). Debt service requirements are as follows:

Year	Principal	Interest	Subsidy*	Total
		(In Thouse	ands)	
2014	\$31,831	\$13,123	\$(691)	\$44,263
2015	33,265	11,597	(670)	44,192
2016	34,840	9,927	(646)	44,121
2017	36,435	8,247	(620)	44,062
2018	15,725	6,461	(590)	21,596
2019-2023	69,385	20,352	(2,426)	87,311
2024-2028	37,910	7,651	(1,379)	44,182
2029-2030	6,275	523	(183)	6,615
Total	\$265,666	\$77,881	\$(7,205)	\$336,342

*The subsidy is based on the original 35% federal interest subsidy provided by the federal government. During fiscal year 2013 interest subsidies received were reduced by 8.7% and during federal fiscal year 2014, the subsidy payments have been reduced by 7.2%. This amount may continue to change based on sequestration.

The District has received funds through the State of Wisconsin Clean Water Fund Loan Program. Interest on these loans is payable semiannually at varying interest rates ranging from 2.20% to 4.95% (effective interest rate of 2.57%). Principal is payable annually in varying amounts. Debt service requirements are as follows:

, , ,			
Year	Principal	Interest	Total
		(In Thousands)	
2014	\$51,773	\$17,162	\$68,935
2015	52,873	15,805	68,678
2016	53,750	14,414	68,164
2017	53,444	13,020	66,464
2018	53,906	11,628	65,534
2019-2023	244,616	37,866	282,482
2024-2028	162,918	12,579	175,497
2029-2033	31,311	1,070	32,381
Total	\$704,591	\$123,544	\$828,135

The District has outstanding loan commitments available of \$126,151,000 and \$136,276,000 at December 31, 2013 and 2012, respectively, from the State of Wisconsin Clean Water Fund Loan Program. These commitments will be utilized for future construction of wastewater treatment facilities.

In 2010, the District entered into an intergovernmental loan agreement with the City of Franklin to finance the Ryan Interceptor (project). The City of Franklin is constructing the project which will ultimately become an asset of the District. The City of Franklin has obtained Clean Water Fund Loan financing for this project at 2.46%. The District's obligation will equal the total principle and interest payments on that loan. The District has agreed to make payments to the City of Franklin beginning in 2015 and the debt is anticipated to be paid off in 2031. On January 3, 2017, the District will make a payment to the City of Franklin to reimburse the City for the sums paid toward the loan through 2014. As of December 31, 2013, a final repayment schedule has not yet been established as the full authorized loan amount of \$27,562,754 has not been drawn. In March 2014, the final disbursement on the loan was made at which time a final repayment schedule was established.

On December 15, 2003, the District issued \$38,105,000 General Obligation Capital Purpose Refunding Bonds, Series 2003l. The proceeds were used to purchase state and local government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Capital Purpose Bonds, Series 2001A and Series 2003D. Neither the defeased debt nor the funds held in trust are recorded on the District's statement of net assets. The difference between the reacquisition price and the net carrying amount of the old debt was a loss of \$1,981,000, which is reported in the accompanying financial statements as a reduction to long-term obligations and is being amortized as a component of interest expense through 2018. The unamortized refunding loss was \$636,000 as of December 31, 2013. The remaining balance on the Series 2001A Bonds at December 31, 2013 and 2012; included in general obligation bonds, is \$28,080,000 and \$32,960,000, respectively.

On April 21, 2005, the District issued \$57,115,000 of General Sewerage System Refunding Bonds, Series 2005A. The proceeds were used to purchase state and local government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Sewerage System Bonds, Series 2001A. Neither the defeased debt nor the funds held in trust are recorded on the District's statement of net assets. The difference between the acquisition price and the net carrying amount of the old debt was a loss of \$217,000, which is reported in the accompanying financial statements as a reduction to long-term obligations and is being amortized as a component of interest expense through 2022. The unamortized refunding loss was \$108,000 as of December 31, 2013. The remaining balance on the Series 2001A Bonds at December 31, 2013 and 2012 is \$0. The remaining balance on the Series 2005D Bonds at December 31, 2013 and 2012, included in general obligation bonds, is \$0 and \$3,470,000, respectively. The remaining balance on the Series 2005A Bonds at December 31, 2013 and 2012, included in general obligation bonds, is \$57,115,000. As of December 31, 2013 and 2012, \$38,660,000 of the 2003D bonds remain defeased from this transaction.

Continued

December 31, 2013 And 2012



On July 3, 2007, the District issued \$97,095,000 of General Sewerage System Refunding Bonds, Series 2007A, to refund \$103,715,000 of outstanding bonds, Series 1997A. The 1997A bonds have been paid in full. The difference between the acquisition price and the net carrying amount of the old debt was a gain of \$2,594,000, which is reported in the accompanying financial statements as a gain to long-term obligations and is being amortized as a component of interest expense through 2017. The unamortized refunding gain was \$949,000 as of December 31, 2013. The remaining balance on the Series 2007A Bonds at December 31, 2013 and 2012, included in general obligation bonds, is \$79,505,000 and \$97,095,000, respectively.

On August 4, 2008, the District issued \$70,000,000 of General Sewerage System Bonds, Series 2008F, with an average interest rate of 4.9 percent. The proceeds are being used to fund district capital improvements. The remaining balance on the Series 2007F Bonds at December 31, 2013 and 2012, included in general obligation bonds, is \$57,585,000 and \$60,230,000, respectively.

On December 23, 2010, the District issued \$50,000,000 of General Obligation Sewerage System Bonds, Series 2010L with an average interest rate of 3.9 percent. Included in the proceeds is a subsidy from the Build America Bonds program of \$9,186,000 which will reduce the payment over the life of the bonds until 2030. This amount may change based on sequestration. The proceeds are being used to fund district capital improvements. The remaining balance on the series 2010L Bonds at December 31, 2013 and 2012 included in general obligation bonds is \$43,380,000 and \$45,510,000, respectively.

The District issued a promissory note to the Department of Commerce for \$5,000,000 on October 1, 2010, which was amended on March 1, 2012 for an additional \$945,000 of principal. The loan is secured by the equipment purchased with the loan proceeds. This is a zero interest loan for the first five years from the original due date of first payment and accrues interest on the unpaid balance at 6%, thereafter, starting on the payment due June 1, 2016. A standard payment of \$64,790 is due every month until the last payment occurs on October 1, 2017. Payments began on May 1, 2012, with a six-month deferral of payment following the addition of principal with a deferral period from May 1, 2011 to November 1, 2012. The remaining balance at December 31, 2013 and 2012, included in the other long term debt is \$4,260,000 and \$5,038,000, respectively.

Interest incurred to finance the construction of capital projects were capitalized as additional costs of capital projects. Such costs capitalized, net of related interest income, amounted to \$6,587,000 and \$7,917,000 in 2013 and 2012, respectively.

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

2013 equalized valuation as determined by	2013 (In Thou	<u>2012</u> sands)
the Supervisor of Assessments of the Wisconsin Department of Revenue Statutory debt limit rate - Wisconsin Statutes	\$56,031,758	\$56,637,439
Section 67.03	<u>5%</u>	<u>5%</u>
Statutory debt limit	2,801,588	2,831,872
General obligation indebtedness: Outstanding bonds issued by the District Clean Water Fund Program loans	(265,666) (704,591)	(296,380) (712,634)
Legal debt margin	\$1,831,331	\$1,822,858

(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 purchases commercial insurance to provide coverage for losses from theft of, damage to, or destructions of assets; health insurance; environmental liability; and 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 assets includes claims incurred but not reported (IBNR) totaling approximately \$1,425,000 and \$265,000 as of December 31, 2013 and 2012, respectively.

	<u>2013</u>	2012	2011
	(In Thousands)		
Unpaid claims, beginning of year	\$265	\$170	\$1,183
Claim payments	(570)	(212)	(1,519)
Current year claims and changes in estimates	1,730	307	506
Unpaid claims, end of year	\$1,425	\$265	\$170

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, 2013 and 2012, the IBNR is \$410,000 and \$460,000, respectively.

	(In Thousands)			
Unpaid claims, beginning of year	\$460	\$510	\$510	
Claims and premiums paid	(7,451)	(8,113)	(7,380)	
Current year claims and changes in estimates	7,401	8,063	7,380	
Unpaid claims, end of year	\$410	\$460	\$510	

2012

2011

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

(9) Contingencies and Commitments

(a) Litigation

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

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

BOSTCO, LLC and Parisian, Inc. v. MMSD

Suit was filed in 2003 for alleged damages to the foundation of the Boston Store property allegedly caused by groundwater draw down from a construction project of the District. Trial to a jury resulted in a verdict for plaintiff of \$6.3 million. This verdict amount was reduced to \$100,000 by court order. In addition, plaintiff obtained an injunction requiring the District to abate the continuing nuisance by lining with concrete one mile of the deep tunnel at an estimated cost of approximately \$16 million. In a 2013 decision, the Wisconsin Supreme Court upheld both the \$100,000 damage award and the injunction order but found that the trial court did not make sufficient findings to support the tunnel lining order. It therefore remanded the matter to the Circuit Court to determine the appropriate remedy for abating the nuisance. An appropriate remedy has not yet been determined by the Circuit Court; however, an amount has been accrued to recognize the potential liability.

Meade Electric Company, Inc. v. MMSD

Contractor sued for extra work in constructing a pipeline to carry landfill gas from a landfill in Muskego to the District's Jones Island Water Reclamation Facility. The contractor seeks \$4,997,597 for managing groundwater from an open cut excavation. During 2013, the District prevailed on summary judgment, reducing plaintiff's claim significantly. The case is set for trial beginning April 10, 2014. A settlement has been reached in this matter, subject to Commission approval. An amount has been accrued to recognize the proposed settlement.

National Warehouse Company v. MMSD et al.

This case is brought by a property owner claiming breach of an easement contract and damage to property incident to construction of the Canal Street Wet Weather Relief Sewer Project. Discovery is ongoing. Plaintiff claims damages of \$1,500,000; the District's Owner Controlled Insurance Program is providing coverage. The District believes it will prevail in this action; however, an amount has been accrued to recognize the litigation exposure

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

This case was filed in early 2013 and is based on an allegation of water damage from the July 22, 2010 rain event. Plaintiffs are owners or tenants of property and allege that MMSD and the City of Milwaukee caused recurring flooding to property located at 4044 North 31st Street in Milwaukee. Plaintiffs allege combined losses of \$2,333,438. The District expects to prevail in this action.

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 Agency ("U.S. EPA") under the Toxic Substances Control Act ("TSCA"). The area for proposed remediation extends from Capitol Drive to downtown. The District has submitted a Risk Based Work Plan to the U.S. EPA for the remediation of Basin H. If approved by U.S. EPA, the estimated cost to implement the Work Plan is \$5 million. The District has notified its insurance carriers of this liability.

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

Ronald Fratrick, et al., and City of Franklin, Involuntary Plaintiff, v. MMSD

In 2010, the District reached an agreement with the City of Franklin whereby the City would obtain a Clean Water Fund Loan for the construction of a regional interceptor in the southwest portion of Franklin and the District would expand the service area boundary within the City, subjecting additional properties to District taxes. The District agreed, upon completion of the interceptor project, to assume control of the interceptor and repay the loan on behalf of Franklin (approximately \$41 million). Franklin resident Ronald Fratrick, on behalf of himself and unnamed John and Jane Does (potentially more than 100 residents of the newly added service area), filed suit on February 6, 2014, alleging the District failed to obtain legally adequate consent from the City of Franklin before adding the additional properties to the District's service area. The City of Franklin is asking the case be dismissed or, in the alternative, that the District be required to repay the loan even if the plaintiffs prevail and the District's right to assess property taxes on the new sewer service area is held to be legally unenforceable. The District expects to prevail in this action.

AFSCME District Council 48 and affiliated Local 366 et al. v. MMSD

Plaintiffs filed suit on April 15, 2013, and are the Unions representing the District's unionized employees. They are alleging that a provision of 2011 Wisconsin Act 10, which precludes government employers from paying the employee's share of their

Notes to Financial Statements

Continued

December 31, 2013 And 2012



annual pension contribution (currently 5.5%) and shifts that responsibility to the employee, is unconstitutional. This claim mirrors litigation filed by other Wisconsin government employee bargaining units. The District expects to prevail in this matter.

(b) Claims from Construction Contractors

In connection with the construction of improvements of the sewerage system, the District has received various cost reimbursement claims from contractors in addition to the lawsuits described above. The claims request the District to pay contractors for work performed, which was allegedly not included in the original contract proposals.

The contractors maintain that the additional work performed was caused by situations outside of their control and the costs incurred for this work should be added to the original contract. An estimate of the additional liability for amounts to be paid to contracts for work performed was \$15,000 as of December 31, 2012 and has been accrued for in the accompanying financial statements. No accrual was deemed necessary as of December 31, 2013.

(c) 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, 2013 the District had commitments to purchase \$1,708,150 in natural gas during the future year, of which 75% will be paid for by the District and 25% will be paid for by Veolia. At December 31, 2012, the District had commitments to purchase \$2,382,000 in natural gas during the future year, of which 75% will be paid for by the District and 25% will be paid for by Veolia. These purchases will be recorded as expenses and liabilities in the period in which the gas is delivered.

(10) Retirement System

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. 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

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. As disclosed in Note 9, this is being disputed.

During 2012, the District was required to contribute an additional \$1,432,000 to fully fund the plan as the value of the Plan assets decreased during the year. The District's additional contribution was determined based on the Actuarial Valuation performed in 2012. No such contribution was required by the District for 2013 or 2011. Contribution for the District and its employees (which equals both required and actual contributions) are as follows:

	2013	2012	2011
Contribution rate:			
Employee requirement	5.5%	5.5%	5.5%
Employer's contribution		_	
	5.5%	5.5%	5.5%
Contribution amount (in thousands):			
Employee requirement (employees)	\$870	\$740	\$123
Employee requirement (District)	_	122	779
Employers requirement (District)		1,432	
,	\$870	\$2,294	\$902

(11) Other Postretirement Benefits

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

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

Management/nonrepresented employees hired after August 1, 2002, covered by Commission policy, with at least 15 years of creditable service, will be entitled to the following pre-Medicare health insurance benefits:

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

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

Currently, 488 retirees meet those eligibility requirements. The District provides the same health coverage as offered active employees. This insurance provides approximately 100% coverage; certain health coverage options involving deductibles; and co-pays. The Commission has the authority to establish and revise the funding policy for the plan. Currently the plan is funded on a pay-as-you-go basis.

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

As of January 1, 2013 and 2012 the District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the plan:

	<u>2013</u>	<u>2012</u>
	(In Thousands)	(In Thousands)
Annual required contribution	\$10,185	\$10,361
Interest on net OPEB obligation	612	460
Adjustment to annual required contribution	<u>(1,417)</u>	<u>(1,170)</u>
Annual OPEB cost	9,380	9,651
Contributions made	(5,028)	(4,781)
Increase in net OPEB obligation	4,352	4,870
Net OPEB Obligation - Beginning of Year	32,558	<u>27,688</u>
Net OPEB Obligation - End of Year	<u>\$36,910</u>	<u>\$32,558</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 was as follows:

Fiscal Year Ended	Annual OPEB <u>Cost</u> (In Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (In Thousands)
2013	\$9,380	53.6%	\$36,910
2012	\$9,651	49.5%	\$32,558
2011	\$9,556	51.2%	\$27,688

The funded status of the plan as of December 31, 2013 and 2012, the most recent actuarial valuation dates, was as follows:

	2013	2012
	(In Thousands)	(In Thousands)
Actuarial accrued liability (AAL)	\$178,605	\$167,989
Actuarial value of plan assets		
Unfunded Actuarial Accrued Liability (UAAL)	\$178,605	\$167,989
Funded ratio (actuarial value of plan assets/AAL)	_
Covered payroll (active plan members)	\$20,864	\$20,946
UAAL as a percentage of covered payroll	856%	802%

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

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

Notes to Financial Statements

Continued

December 31, 2013 And 2012



In the actuarial valuation, the entry age actuarial cost method was used. The 2013 Annual OPEB Cost was calculated using the actuarial assumptions of 1.88% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4% after five years. The 2012 Annual OPEB Cost was calculated using the actuarial assumptions of 1.66% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4% after five years. Both rates include a 2.5% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount. The amortization period is open and is 30 years.

(12) Leases

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

Future minimum lease receipts under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2013 are as follows:

Year ending December 31:	
2014	\$165,613
2015	165,613
2016	165,613
2017	164,613
2018	11,241
2019 through 2023	56,205
2024 through 2028	56,205
2029 through 2033	56,205
2034 through 2038	56,205
2039 through 2043	56,205
2044 through 2048	56,205
2049 through 2053	56,205
2054 through 2058	<u>56,205</u>
Total minimum lease receipts	\$1,122,333

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2013 are:

Year ending December 31:

criding December or.	
2014	\$50,442
2015	32,921
2016	32,921
2017	32,921
Total minimum lease payments	149,205
Less current installments of	
obligations under operating leases	(50,442)
Obligations under operating leases,	
excluding current installments	\$98,763

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

(13) Restatement of 2012 Financial Statements

The 2012 financial statements have been restated to correctly classify costs incurred for the private property inflow and infiltration (PPI/I) reduction program as expenses in the period incurred. Through the PPI/I program, the District provides funding to local municipalities to help address I/I sources on private properties. The District set up a work order which was included in construction work in progress to track the costs incurred for this program. As a result of new budgeting processes, management performed a detailed review of open capital projects and programs during 2013 and determined that costs incurred for this program remained in construction work in progress at December 31, 2012. These costs should have been expensed as the program does not result in an asset owned by the District. The restatement is due to \$7,553,000 of program costs that should have been expensed in 2012. The effect on the previously issued fiscal year 2012 financial statements is as follows:

	As Orginally Reported	<u>Change</u>	As Restated
Construction Work in Progress	\$421,393	\$(7,553)	\$413,840
Capital Program Expenditures	· -	7,553	7,553
Change in Net Positiion	(56)	(7,553)	(7,609)
Net Position End of Year	2,561,737	(7,553)	2,554,184
(4.4) Code a consent Francis			

(14) Subsequent Events

On March 27, 2014, Moody's downgraded the District's GO rating to Aa1 from Aaa.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress For Other Post Employment Benefits Plan (In Thousands)

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded <u>Ratio</u>	Covered Payroll	UAAL as a Percentage of Covered <u>Payroll</u>	
12/31/2013 12/31/2012 12/31/2011	\$ - \$ - \$ -	\$167,989	\$178,605 \$167,989 \$167,521	0% 0% 0%	\$20,864 \$20,946 \$23,437	856% 802% 715%	

See accompanying independent auditors' report.

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

<u>Contents</u>	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	B-1, B-2
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue sources.	B-3, B-4, B-5, B-6, B-7, B-8, B-9, B-10, B-11
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the government's ability to issue additional debt in the future.	B-12, B-13, B-14, B-15
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	B-16, B-17
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs.	B-18, B-19

Istatistical Section

Exhibit B-1

Net Position By Components

			Fiscal Year		
	<u>2013</u>	2012 ⁽¹⁾	<u>2011</u>	<u>2010</u>	2009
		(In Thousands	5)	
Investment in Capital Assets	\$2,464,531	\$2,466,406	\$2,505,430	\$2,481,000	\$2,436,462
Restricted - Capital Projects and Programs	46,210	37,633	21,158	17,781	46,899
Restricted - Equipment Replacement	14,411	14,411	14,916	16,066	16,066
Restricted - Debt Service	26,518	24,829	5,801	16,568	11,650
Unrestricted	4,131	10,905	14,488	17,288	20,726
	\$2,555,801	\$2,554,184	\$2,561,793	\$2,548,703	\$2,531,803

⁽¹⁾ See Note 13 to the 2013 financial statements for details on the 2012 restatement.



Fiscal Year							
2008	2007	<u>2006</u> <u>2005</u>		2004			
\$2,343,490	\$2,363,207	\$2,307,119	\$2,241,063	\$2,222,154			
105,391	60,236	88,704	116,138	111,838			
17,116	19,181	22,678	35,964	37,410			
10,745	5,539	6,631	9,177	5,220			
26,813	33,427	(25,045)	(30,501)	(25,819)			
\$2,503,555	\$2,481,590	\$2,400,087	\$2,371,841	\$2,350,803			

Exhibit B-2

Change In Net Position

	-		Operating	Total Nonoperating	Income/(Loss)		Change
Year	Operating Revenue	Operating Expenses	Income/ (Loss)	Revenues/ (Expenses) ⁽¹⁾	Before Capital Contributions ⁽¹⁾	Capital Contributions	In Net Position ⁽¹⁾
			(====)	(In Thousan			
2013	\$ 78,397	\$167,921	\$(89,524)	\$ 88,125	\$ (1,399)	\$ 3,016	\$ 1,617
2012	78,634	162,924	(84,290)	72,440	(11,850)	4,241	(7,609)
2011	78,515	158,675	(80,160)	91,201	11,041	2,049	13,090
2010	77,783	153,985	(76,202)	91,374	15,172	1,728	16,900
2009	76,858	152,909	(76,051)	102,305	26,254	1,994	28,248
2008	70,589	148,024	(77,435)	98,800	21,365	600	21,965
2007	53,757	134,114	(80,357)	93,215	12,858	455	13,313
2006	53,539	128,942	(75,403)	89,733	14,330	13,916	28,246
2005	52,971	124,245	(71,274)	89,928	18,654	2,384	21,038
2004	51,753	120,687	(68,934)	85,020	16,086	3,454	19,540

⁽¹⁾ See Note 13 to the 2013 financial statements for details on the 2012 restatement.

Exhibit B-3

Operating Revenue by Source

	Tot	al	Sewer			
<u>Year</u>	Opera <u>Reve</u>	nue	User <u>Charge</u> Fhousands	 <u>ertilizer</u>	!	<u>Other</u>
2013	\$ 78	3,397	\$ 69,572	\$ 7,667	\$	1,158
2012	78	3,634	69,578	7,827		1,229
2011	78	3,515	69,570	7,252		1,693
2010	77	7,783	70,355	7,004		424
2009	76	6,858	68,460	7,957		441
2008	70	0,589	62,430	7,272		887
2007	53	3,757	49,232	4,301		224
2006	53	3,539	48,005	5,194		340
2005	52	2,971	46,779	5,836		356
2004	5	1,753	44,663	6,338		752

Exhibit B-4

Operating Expenses

<u>Year</u>	Total Operating <u>Expenses</u>	System- Operation & <u>Maintenance</u>	Laboratory & Research <u>Services</u> (In Ti	Industrial Waste & Conveyance Monitoring housands)	Finance, Engineering & Administration	<u>Depreciation</u>
2013	\$167,921	\$ 57,130	\$ 2,448	\$ 3,227	\$ 22,331	\$ 82,785
2012	162,924	55,177	2,511	3,458	21,803	79,975
2011	158,675	56,896	2,170	3,280	20,121	76,208
2010	153,985	55,218	2,115	3,794	21,310	71,548
2009	152,909	58,055	2,339	3,774	19,610	69,131
2008	148,024	55,267	2,463	3,745	18,298	68,251
2007	134,114	43,627	2,375	3,818	17,418	66,876
2006	128,942	41,166	2,341	3,524	16,292	65,619
2005	124,245	39,418	2,172	3,370	15,661	63,624
2004	120,687	38,179	2,095	3,062	14,749	62,602

Exhibit B-5

Nonoperating Revenue and Expenses

	Total Non-Operating Revenues (Expenses) ⁽¹⁾	Property <u>Taxes</u>	Capital Charges Municipalities Outside the District	Fair Value of		Gain (Loss) on Disposal of Capital Assets	Contributed to	Capital Program Expenditures and Other ⁽¹⁾
2013	\$ 88,125	\$ 88,626	\$ 28,424	\$ (53)	\$(24,293)	\$ (1,582)	\$ (176)	\$ (2,821)
2012	72,440	86,485	27,562	491	(22,663)	(5,033)	(8,782)	(5,620)
2011	91,201	85,212	24,864	736	(21,783)	87	-	2,085
2010	91,374	82,390	22,445	919	(13,333)	(2,134)	-	1,087
2009	102,305	82,332	22,757	2,176	(11,725)	6,053	-	712
2008	98,800	80,729	23,642	5,509	(12,430)	152	-	1,198
2007	93,215	78,359	21,561	10,302	(15,195)	(1,150)	(1,506)	844
2006	89,733	76,086	21,428	9,821	(17,309)	(987)	(874)	1,568
2005	89,928	74,619	22,982	6,421	(14,630)	185	(671)	1,022
2004	85,020	71,424	21,343	3,000	(12,215)	13	-	1,455

⁽¹⁾ See Note 13 to the 2013 financial statements for details on the 2012 restatement.

Exhibit B-6

User Charge Revenue by Municipality Within the District

			Fiscal Year		
Municipality	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	2009
City of Cudahy	\$ 1,507,280	\$ 1,613,522	\$ 1,656,103	\$ 1,805,096	\$ 1,855,515
City of Franklin	2,006,441	1,914,760	1,925,628	1,931,327	1,800,766
City of Glendale	934,241	923,834	931,804	912,462	875,951
City of Greenfield	1,944,800	1,964,108	1,962,998	1,957,031	1,872,833
City of Milwaukee	40,211,422	40,081,180	40,329,654	41,323,722	40,763,430
City of Oak Creek	2,069,149	1,991,631	2,005,209	2,052,065	1,905,558
City of St. Francis	540,870	555,621	496,818	368,714	365,919
City of Wauwatosa	2,997,566	3,115,200	3,088,718	3,144,526	2,924,523
City of West Allis	3,717,622	3,716,622	3,721,541	3,679,178	3,443,449
Village of Bayside	230,494	240,845	240,213	229,068	216,064
Village of Brown Deer	721,924	731,400	719,455	710,976	679,053
Village of Fox Point	361,777	359,258	369,485	363,502	346,870
Village of Greendale	742,539	715,631	733,597	720,827	705,538
Village of Hales Corners	434,642	428,409	433,212	429,876	413,923
Village of River Hills	84,355	85,807	89,742	88,543	83,757
Village of Shorewood	662,621	673,288	678,964	659,074	658,519
Village of West Milwaukee	971,000	1,105,930	1,006,938	895,309	1,062,403
Village of Whitefish Bay	<u>687,053</u>	694,737	698,033	682,223	449,142
Total Within the District	\$60,825,796	\$60,911,783	\$61,088,112	\$61,953,519	\$60,423,213



		Fiscal Year		
2008	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 1,648,318	\$ 1,164,578	\$ 1,095,397	\$ 1,006,096	\$ 965,643
1,634,272	1,298,726	1,208,857	1,121,795	1,006,546
813,768	632,667	606,614	578,069	552,387
1,710,028	1,389,123	1,326,295	1,289,413	1,206,451
36,321,630	28,697,714	28,197,896	28,163,570	27,001,904
1,729,957	1,372,215	1,312,991	1,230,830	1,151,995
355,315	348,830	338,693	292,053	287,324
2,727,814	2,128,407	2,090,334	2,042,760	1,910,796
3,166,204	2,579,476	2,510,275	2,303,374	2,277,273
201,819	162,826	162,669	152,333	143,402
639,618	502,707	501,852	480,821	456,332
323,564	252,475	252,911	231,548	216,338
628,698	511,200	496,549	475,113	437,205
383,953	310,346	300,626	279,688	267,605
77,198	61,807	61,787	54,405	51,151
581,999	463,811	445,837	448,364	406,377
1,074,960	830,606	673,454	637,664	679,932
742,922	429,466	483,864	430,421	431,383
\$54,762,037	\$43,136,980	\$42,066,901	\$41,218,317	\$39,450,044

Exhibit B-7

User Charge Revenue by Municipality Outside the District

_			Fiscal Year		
Municipality	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	2009
0" (D 1" 1	Φ 000 705	4 007.500	. 050 040	Φ 005.754	Ф. 600 000
City of Brookfield	\$ 898,795	\$ 897,586	\$ 956,248	\$ 935,751	\$ 903,262
City of Mequon	1,094,553	1,119,264	1,077,743	1,056,814	1,018,547
City of Muskego	1,054,548	1,041,072	1,024,359	1,004,530	969,988
City of New Berlin	1,818,911	1,827,310	1,764,458	1,776,161	1,717,723
City of South Milwaukee*	28,042	27,588	25,225	27,456	26,594
Village of Butler	174,544	171,463	182,373	177,528	183,573
Village of Caledonia	25,528	25,639	26,407	25,047	25,597
Village of Elm Grove	310,463	297,649	301,897	308,781	300,991
Village of Germantown	1,413,618	1,278,930	1,190,224	1,185,985	1,046,395
Village of Menomonee Falls	1,745,112	1,799,637	1,750,504	1,721,685	1,670,983
Village of Thiensville	<u>181,708</u>	<u>180,254</u>	<u>182,594</u>	<u>181,356</u>	<u>172,849</u>
Total Outside the District	\$ 8,745,822	\$ 8,666,392	\$ 8,482,032	\$ 8,401,094	\$8,036,502

^{*} Household Hazardous Waste Program Charges Only



	Fiscal Year								
	2008	2007		<u>2006</u>			2005		2004
\$	838,566	\$	664,314	\$	662,935	\$	620,430	\$	581,986
•	940,919	•	742,754	•	727,680	_	669,352	_	632,339
	890,734		690,680		678,645		664,525		580,112
•	1,604,871	1	1,259,612		1,249,252		1,159,745		1,097,269
	25,121		26,673		25,927		19,143		22,423
	163,199		130,138		124,323		115,547		113,512
	24,837		18,795		18,986		21,656		23,007
	277,573		220,216		215,078		199,986		187,625
•	1,196,558		988,965		911,293		851,513		810,682
•	1,546,221	1	1,227,280		1,198,371		1,135,288		1,066,847
	<u>159,329</u>		<u>125,486</u>		125,536		103,871		97,331
\$7	7,667,928	\$ 6	5,094,913	\$	5,938,026	\$	5,561,056	\$	5,213,133

User Charge Rates

For The Fiscal Years Ended December 31, 2004 Through 2013 Milwaukee Metropolitan Sewerage District

	Flow	Biochemical Oxygen	Total Suspended	Connection
	(Cents Per	Demand (BOD)	Solids (TSS)	Charge
<u>Year</u>	1000 Gallons)	(Cents Per Pound)	(Cents Per Pound)	(Dollars Per Year)
2013	\$0.86507	\$0.09992	\$0.15924	\$29.84
2012	0.81173	0.09910	0.15803	31.78
2011	0.81861	0.09120	0.16142	33.45
2010	0.82846	0.12689	0.14968	23.49
2009	0.80385	0.13323	0.13372	20.51
2008	0.67553	0.11212	0.12725	22.90
2007	0.48028	0.08904	0.09831	21.11
2006	0.42361	0.08679	0.09753	23.99
2005	0.42721	0.07446	0.09041	20.58
2004	0.45077	0.07701	0.07214	15.38

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.



Volumetric (Dollars Per 1,000 Gallons)	Average Household (Dollars Per Year)	Million of Gallons of Sewage <u>Treated</u>
\$1.614778	\$118.20	73,900
1.555585	117.97	60,100
1.552504	121.17	74,100
1.618383	118.26	71,300
1.560910	113.65	72,200
1.358054	105.18	77,600
1.013833	83.36	67,400
0.948940	83.84	69,440
0.898694	78.36	62,914
0.872465	73.57	74,579

Exhibit B-9

Wastewater Loadings by Customer Class

			Fiscal Year		
PARAMETER	<u>2013</u>	2012	<u>2011</u>	<u>2010</u>	2009
Billable Flow (1,000 Gallons)					
RESIDENTIAL NON-CERTIFIED COMMERCIAL CERTIFIED COMMERCIAL CERTIFIED INDUSTRIAL	17,613,063 10,353,855 1,710,422 3,936,045	17,879,709 10,833,579 1,819,600 4,199,362	18,320,590 10,536,191 1,703,993 4,281,621	18,967,992 10,446,335 1,727,538 4,233,640	19,320,420 10,630,049 1,719,087 4,428,295
TOTALS	33,613,385	34,732,250	34,842,396	35,375,505	36,097,851
Biochemical Oxygen Demand (Pounds)					
RESIDENTIAL NON-CERTIFIED COMMERCIAL CERTIFIED COMMERCIAL CERTIFIED INDUSTRIAL	45,536,920 26,768,965 3,663,473 43,583,211	46,226,302 28,009,249 3,855,902 41,248,840	47,366,157 27,240,384 3,657,812 40,762,360	49,039,952 27,008,069 3,700,567 36,817,277	49,951,014 27,482,929 3,708,026 37,344,665
TOTALS	119,552,569	119,340,293	119,026,713	116,565,865	118,486,634
Total Suspended Solids (Pounds)					
RESIDENTIAL NON-CERTIFIED COMMERCIAL CERTIFIED COMMERCIAL CERTIFIED INDUSTRIAL	54,350,489 31,950,040 4,366,923 18,653,681	55,173,312 33,430,370 4,544,170 19,999,548	56,533,775 32,512,699 4,297,500 19,664,094	58,531,540 32,235,413 4,344,976 19,073,819	59,618,952 32,802,206 4,342,935 18,840,371
TOTALS	109,321,133	113,147,400	113,008,068	114,185,748	115,604,464
Connections					
RESIDENTIAL NON-CERTIFIED COMMERCIAL CERTIFIED COMMERCIAL CERTIFIED INDUSTRIAL	264,034 37,164 2,030 <u>721</u>	268,572 37,483 2,014 <u>715</u>	263,867 37,104 1,991 <u>718</u>	264,190 37,168 1,937 <u>742</u>	263,862 37,286 1,980 <u>746</u>
TOTALS	303,949	308,784	303,679	304,037	303,873



Fiscal Year							
2008	2007	2006	2005	2004			
19,698,689	20,026,541	20,533,243	20,836,934	21,530,824			
11,023,024	11,287,080	11,402,418	11,618,451	11,547,408			
1,811,252	1,831,139	1,817,212	1,830,504	1,786,672			
4,949,082	4,940,546	4,990,285	5,631,645	5,733,155			
37,482,047	38,085,306	38,743,158	39,917,533	40,598,060			
	_,						
50,928,990	51,776,620	53,086,645	53,871,809	55,665,793			
28,498,927	29,181,616	29,479,812	30,038,342	29,854,668			
3,782,908	3,846,072	3,813,845	3,920,354	3,775,877			
33,061,583	32,762,861	31,931,705	46,030,234	43,792,590			
440 070 400	117 507 100	110 010 007	400 000 700	400 000 000			
116,272,408	<u>117,567,169</u>	118,312,007	133,860,739	133,088,928			
60,786,216	61,797,902	63,361,480	64,298,611	66,439,818			
34,014,850	34,829,671	35,185,582	35,852,214	35,632,991			
4,425,570	4,496,269	4,459,543	4,594,815	4,417,226			
18,401,146	19,091,693	18,711,208	24,411,915	24,115,541			
117,627,782	120,215,535	121,717,813	129,157,555	130,605,576			
004.040	004.540	004.400	000 400	000 005			
264,212	264,518	264,193	263,468	262,285			
37,245	37,005	36,656	36,481	36,341			
2,075	2,078	2,034	2,016	1,989			
<u>760</u>	<u>760</u>	<u>816</u>	<u>863</u>	905			
204.202	204.204	202.000	202.022	204 522			
304,292	<u>304,361</u>	303,699	302,828	<u>301,520</u>			

Ten Largest Sewer Users

			2013		2004			
			Sewer Reve	nue		Sewer Reve	enue	
Customer	Type of Business		<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	
MillerCoors	Brewery	\$	3,034,139	4.4%	\$	1,762,238	3.9%	
D.R. Diedrich & Co.	Leather tanning and finishing	Ψ	799,328	1.1%	Ψ	239,720	0.5%	
Malteurop North America	Malt manufacturing		540,569	0.8%		200,720	0.070	
Milwaukee Water Works	Water utility		506,300	0.7%		549,767	1.2%	
Cargil Meat Solutions	Meat packing plants		444,376	0.6%		357,107	0.8%	
Jonas Advanced Waste Hi-Mar	Centralized Waste Treater		406,571	0.6%		,		
Gehl Guernsey Farms Inc.	Food preparation		398,212	0.6%		225,073	0.5%	
Patrick Cudahy	Process meat products		388,245	0.6%		177,562	0.4%	
Wisconsin Paperboard	Paperboard mill		367,208	0.5%				
Chris Hansen/Maple	Food preparation		360,047	0.5%				
Milwaukee County DHHS	Health services					191,495	0.4%	
Campbell Soup Supply Company	Food preparation					228,472	0.5%	
International Malting Corporation	a Malt manufacturing					318,609	0.7%	
LeSaffre Yeast Corp.	b Food preparation					1,370,614	3.1%	
Subtotal (10 largest)		\$	7,244,995	10.4%	\$	5,420,657	12.1%	
Balance from other customers			62,326,623	<u>89.6</u> %		39,242,520	<u>87.9</u> %	
Grand Totals		\$	69,571,618	<u>100.0</u> %	\$	44,663,177	<u>100.0</u> %	

a Consolidated to Malteurop North America

b Moved out of state

Property Tax Information

For The Fiscal Years Ended December 31, 2004 Through 2013 Milwaukee Metropolitan Sewerage District

<u>Year</u>	Equalized Value of Taxable Property	Tax <u>Levies</u>	Tax Rate Per \$1,000 Equalized <u>Value</u>
2013 \$	53,567,657,800	\$91,222,000	\$ 1.70
2012	54,435,721,000	88,694,000	1.63
2011	57,252,275,690	86,531,000	1.51
2010	59,383,339,276	85,674,000	1.44
2009	62,267,788,363	82,458,000	1.32
2008	63,866,836,566	82,458,000	1.29
2007	63,086,040,141	80,841,000	1.28
2006	60,345,510,236	78,486,000	1.30
2005	53,665,579,328	76,200,000	1.42
2004	48,605,922,315	74,706,000	1.54

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.

Bonded Debt Limit and Ratio of Bonded Debt to Equalized Value

	Fiscal Year							
		2013		2012		2011		2010
Equalized Value (1)	\$	56,031,757,800	\$	56,637,438,900	\$	59,760,633,490	\$	61,995,778,776
Debt Limit (5% of equalized value) ⁽²⁾	\$	2,801,587,890	\$	2,831,871,945	\$	2,988,031,675	\$	3,099,788,939
Outstanding Bonds Issued by the District Clean Water Fund Program Loans	\$	265,665,000 704,591,497	\$	296,380,000 712,633,839	\$	309,080,000 661,199,044	\$	321,635,000 662,150,024
Total General Obligation Debt	\$	970,256,497	\$	1,009,013,839	\$	970,279,044	\$	983,785,024
Legal Debt Margin	\$	1,831,331,393	\$	1,822,858,106	\$	2,017,752,631	\$	2,116,003,915
Percentage of Bonded Debt to Equalized Value		1.73%		1.78%		1.62%		1.59%

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

⁽²⁾ Per Wisconsin Statutes Section 67.03



				Fisca	l Ye	ar		
	2009	2008 2007			2006	2005	2004	
\$	65,340,474,863	\$	66,735,584,066	\$ 65,642,217,041	\$	62,260,061,536	\$ 55,434,188,028	\$ 50,018,162,615
\$	3,267,023,743	\$	3,336,779,203	\$ 3,282,110,852	\$	3,113,003,077	\$ 2,771,709,401	\$ 2,500,908,131
\$	281,440,000 611,285,569	\$	301,145,000 605,575,697	\$ 247,735,000 520,824,326	\$	270,170,000 471,824,272	\$ 285,335,000 439,685,252	\$ 302,195,000 390,423,826
\$	892,725,569	\$	906,720,697	\$ 768,559,326	\$	741,994,272	\$ 725,020,252	\$ 692,618,826
<u>\$</u>	2,374,298,174	\$	2,430,058,506	\$ 2,513,551,526	\$	2,371,008,805	\$ 2,046,689,149	\$ 1,808,289,305
	1.37%		1.36%	1.17%		1.19%	1.31%	1.38%

Per Capita Debt, Personal Income and Unemployment Rate

For The Fiscal Years Ended December 31, 2004 Through 2013 Milwaukee Metropolitan Sewerage District

				Milwaukee			Outstan	ding Debt	Milwaukee	
		Outstanding		C	ounty Personal	Di	strict Personal		Percentage	County
	Ge	neral Obligation	District		Income		Income Per	Per	of Personal	Unemployment
<u>Year</u>		<u>Debt</u>	Population		(Thousands)		<u>Capita</u>	<u>Capita</u>	<u>Income</u>	Rate
2013	\$	970,256,497	929,373		Not Available		-	\$1,043.99	-	8.3%
2012		1,009,013,839	927,307	\$	38,808,170	\$	41,850	1,088.11	2.60%	8.4%
2011		970,279,044	927,321		37,035,130		39,938	1,046.32	2.62%	9.0%
2010		983,785,024	926,579		35,893,702		38,738	1,061.74	2.74%	9.6%
2009		892,725,569	910,698		35,586,784		39,076	980.27	2.51%	9.3%
2008		906,720,697	917,296		35,182,312		38,354	988.47	2.58%	5.5%
2007		768,559,326	916,144		34,107,037		37,229	838.91	2.25%	5.9%
2006		741,994,272	915,696		32,500,267		35,492	810.31	2.28%	5.7%
2005		725,020,252	917,726		30,895,266		33,665	790.02	2.35%	5.7%
2004		692,618,826	918,105		29,863,926		32,528	754.40	2.32%	6.4%

Note:

Personal income for Milwaukee County includes City of South Milwaukee. Data for 2013 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.

Computation of Overlapping Debt

For The Fiscal Year Ended December 31, 2013 Milwaukee Metropolitan Sewerage District

·			Percentage of	Amount of Debt
		Net Debt	Debt Within	Within District
Name of Government Unit		Outstanding	District Boundary	Boundary
Villages & Cities:				
Village of Bayside	\$	10,573,161	100.00%	\$ 10,573,161
Village of Brown Deer	•	21,352,758	100.00%	21,352,758
Village of Fox Point		15,724,302	100.00%	15,724,302
Village of Greendale		17,511,822	100.00%	17,511,822
Village of Hales Corners		6,774,519	100.00%	6,774,519
Village of River Hills		7,053,626	100.00%	7,053,626
Village of Shorewood		41,362,500	100.00%	41,362,500
Village of West Milwaukee		10,206,013	100.00%	10,206,013
Village of Whitefish Bay		52,177,386	100.00%	52,177,386
City of Cudahy		33,090,000	100.00%	33,090,000
City of Franklin		42,445,423	100.00%	42,445,423
City of Glendale		38,070,000	100.00%	38,070,000
City of Greenfield		43,949,707	100.00%	43,949,707
City of Milwaukee		796,577,784	100.00%	796,577,784
City of Oak Creek		68,725,000	100.00%	68,725,000
City of Saint Francis		13,745,000	100.00%	13,745,000
City of Wauwatosa		69,715,000	100.00%	69,715,000
City of West Allis		78,309,307	100.00%	78,309,307
Total Cities and Villages	\$	1,367,363,308		\$ 1,367,363,308
School Districts:				
Brown Deer	\$	28,976,066	100.00%	\$ 28,976,066
Cudahy		17,828,000	100.00%	17,828,000
Fox Point-Bayside		5,840,000	100.00%	5,840,000
Franklin		36,275,000	100.00%	36,275,000
Glendale-River Hills		4,605,000	100.00%	4,605,000
Greendale		16,510,000	100.00%	16,510,000
Greenfield		54,508,798	100.00%	54,508,798
Maple Dale-Indian Hill		2,848,531	100.00%	2,848,531
Milwaukee Area Technical College		115,370,000	79.36%	91,557,632
Milwaukee Public		75,436,366	100.00%	75,436,366
Nicolet High School		4,760,000	100.00%	4,760,000
Oak Creek-Franklin		46,520,000	100.00%	46,520,000
Shorewood		21,575,000	100.00%	21,575,000
Saint Francis		13,340,000	100.00%	13,340,000
Wauwatosa		-	-	-
West Allis-West Milwaukee		27,112,747	93.39%	25,320,594
Whitefish Bay		17,060,000	100.00%	17,060,000
Whitnall		<u>335,000</u>	100.00%	335,000
Total School Districts	\$	488,900,508		\$ 463,295,987
Milwaukee County	\$	721,728,545	98.02%	\$ 707,438,320
Total Overlapping Debt	\$	2,577,992,361		\$ 2,538,097,615

Sources:

Equalized value used to determine percentage of debt within District boundary from Wisconsin Department of Revenue. Net debt outstanding provided by the Milwaukee County Department of Administration.

Ten Largest Taxpayers for Milwaukee County

For The Fiscal Years Ended December 31, 2004 And 2013 Milwaukee Metropolitan Sewerage District

Name of Business

Mayfair Property Inc.

Bayshore Town Center LLC

Northwestern Mutual Life Insurance Co.

US Bank Corp.

BRE Southridge Mall LLC Wal-Mart/Sams Club

Mandel Group

Marcus Corporation/Milw. City Center/Pfister

Metropolitan Associates Columbia St. Mary's Harley-Davidson Covenant Health Care

Teachers Insurance and Annuity M&I Marshall & Ilsley Bank

Towne Realty

Type of Business

Shopping mall Shopping mall Insurance Banking Real estate Retailer

Real estate

Hotels, theaters & restaurants

Real estate Health care

Manufacturer of motorcycles

Health care
a Insurance
b Banking
a Real estate

Total for Ten Largest

a Divested Holdings b Now BMO Harris Bank

Source:

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



	20	13	2004						
		Percentage of			Percentage of				
	Equalized	Total Equalized		Equalized	Total Equalized				
	Valuation	Valuation		Valuation	Valuation				
\$	376,624,530	0.69%	\$	248,424,627	0.50%				
	319,668,170	0.59%							
	305,534,319	0.56%		224,695,454	0.45%				
	262,408,538	0.48%		235,870,548	0.47%				
	154,151,933	0.28%		97,541,621	0.20%				
	143,990,983	0.26%							
	142,394,023	0.26%							
	128,948,768	0.24%							
	125,725,125	0.23%		107,644,454	0.22%				
	113,595,463	0.21%							
				133,898,300	0.27%				
				133,509,741	0.27%				
				141,885,823	0.29%				
				123,586,025	0.25%				
				103,765,609	0.21%				
_			_						
\$2	2,073,041,852	3.80%	\$	1,550,822,202	3.12%				

Exhibit B-16

Population by Municipality

For The Fiscal Years Ended December 31, 2004 Through 2013 Milwaukee Metropolitan Sewerage District

					Г:	I. V					Percentage
NA contrator atten-	0040	0040	0044	0040		l Year	0007	0000	0005	0004	Change
Municipality	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2004-2013
Bayside	4,380	4,380	4,383	4,300	4,170	4,172	4,181	4,207	4,263	4,286	2.2%
Brown Deer	12,086	12,065	12,001	11,999	11,720	11,705	11,715	11,750	11,831	11,845	2.0%
Cudahy	18,227	18,247	18,253	18,267	18,650	18,620	18,530	18,430	18,319	18,315	-0.5%
Fox Point	6,630	6,644	6,665	6,701	6,803	6,818	6,821	6,808	6,890	6,886	-3.7%
Franklin	35,810	35,520	35,504	35,451	33,700	33,550	33,380	33,000	32,548	31,804	12.6%
Glendale	12,845	12,808	12,833	12,872	12,980	12,990	12,970	12,935	13,001	13,024	-1.4%
Greendale	14,165	14,123	14,027	14,046	13,950	13,995	14,025	14,040	14,087	14,128	0.3%
Greenfield	36,770	36,740	36,672	36,720	36,300	36,270	36,140	36,150	36,136	36,059	2.0%
Hales Corners	7,691	7,683	7,685	7,692	7,646	7,646	7,640	7,642	7,644	7,682	0.1%
Milwaukee	596,500	595,425	595,525	594,833	584,000	590,870	590,190	590,370	592,765	593,920	0.4%
Oak Creek	34,695	34,530	34,495	34,451	32,600	32,470	32,410	32,104	31,497	31,029	11.8%
River Hills	1,587	1,591	1,593	1,597	1,634	1,641	1,621	1,625	1,626	1,625	-2.3%
St. Francis	9,462	9,452	9,448	9,365	8,936	8,952	8,877	8,808	8,791	8,728	8.4%
Shorewood	13,189	13,174	13,177	13,162	13,360	13,425	13,440	13,470	13,495	13,535	-2.6%
Wauwatosa	46,705	46,320	46,380	46,396	45,800	45,880	45,930	46,120	46,312	46,511	0.4%
West Allis	60,300	60,300	60,365	60,411	60,600	60,370	60,410	60,300	60,515	60,607	-0.5%
West Milwaukee	4,205	4,200	4,206	4,206	4,029	4,047	4,034	4,052	4,092	4,142	1.5%
Whitefish Bay	<u>14,126</u>	<u>14,105</u>	14,109	<u>14,110</u>	13,820	13,875	13,830	13,885	13,914	13,979	1.1%
Total District											
population	929,373	927,307	927,321	926,579	910,698	917,296	916,144	915,696	917,726	918,105	
Total population											
served by the											
•	1,074,130	1,071,835	1,071,622	1,051,876	1,054,725	1,061,180	1,058,440	1,057,992	1,059,096	1,058,595	
District (1)	1,074,100	1,07 1,000	1,07 1,022	1,001,070	1,004,720	1,001,100	1,000,440	1,007,002	1,000,000	1,000,000	
2004 = 100%	101.5%	101.3%	101.2%	99.4%	99.6%	100.2%	100.0%	99.9%	100.0%	100.0%	
Total state											
population	5,717,110	5,703,525	5,694,236	5,686,986	5,688,040	5,675,156	5,648,124	5,617,744	5,580,757	5,532,955	
L-Lancing.	-,,	-,. 00,020	-,00.,200	=,555,550	=,555,510	=,0.0,.00	-,0.0,.21	_, _ , , , , , , , ,	-,000,.01	-,002,000	
2004 = 100%	103.3%	103.1%	102.9%	102.8%	102.8%	102.6%	102.1%	101.5%	100.9%	100.0%	

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

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

Principal Private Sector Employers

For The Fiscal Years Ended December 31, 2004 And 2013 Milwaukee Metropolitan Sewerage District

		2013		2004			
		Percentage			Percentage		
Employer	Employees	of Total	Rank	Employees	of Total	Rank	
Aurora Health Care Inc.	24,462	5.78%	1	13,275	3.10%	1	
Wheaton Franciscan Healthcare	11,171	2.64%	2				
Froedtert & Community Health	8,982	2.12%	3				
Roundy Supermarkets Inc.	8,400	1.99%	4				
Kohl's Corp.	7,800	1.84%	5	6,200	1.45%	6	
Quad/Graphics Inc.	6,900	1.63%	6	8,700	2.03%	3	
GE Healthcare	5,800	1.37%	7	6,000	1.40%	7	
The Medical College of Wisconsin Inc.	5,417	1.28%	8				
Northwestern Mutual	5,000	1.18%	9				
ProHealth Care Inc.	4,819	1.14%	10				
Covenant Healthcare System Inc.				9,460	2.21%	2	
Marshall & Ilsley Corp.				7,176	1.68%	4	
SBC Corp.				6,259	1.46%	5	
Wisconsin Energy Corp.				5,802	1.36%	8	
Columbia-St. Mary's Inc.				5,749	1.34%	9	
Wal-Mart				<u>5,330</u>	1.25%	10	
Total for Ten Largest	88,751	20.98%		73,951	17.29%		
· ·							
Total Milwaukee County Employment	423,010	100.00%		427,655	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 2005 and 2014 Business Journal's Book of Lists, Total County Employment from Wisconsin's Workforce and Labor Market Information System.

Exhibit B-18

Number of Employees by Identifiable Activity

For The Fiscal Years Ended December 31, 2004 Through 2013 Milwaukee Metropolitan Sewerage District

	Full-time Equivalent									
	E	mployees	as of Dec	cember 3°	1,					
	2013	2012	2011	2010	2009					
				·						
Engineering/Inspection/Construction/Water Quality										
Engineering	46	47	49	52	54					
Planning	27	27	27	28	24					
Operations Compliance	6	6	7	6	6					
Lab/Monitoring	60	60	68	68	70					
Administration										
Office of the Forestine Discrete	_	_	0	_	0					
Office of the Executive Director	5	5	6	5	9					
Legal Services	7	7	7	8	8					
Internal Services	<u>65</u>	<u>65</u>	<u>67</u>	<u>65</u>	<u>67</u>					
Total Employees	216	217	231	232	238					

Source:

Milwaukee Metropolitan Sewerage District Payroll Records and 2013 O&M & Capital Budgets.



En 2008		me Equi as of De 2006	valent ecember 3 2005	31, <u>2004</u>
49	58	58	45	41
25	26	26	30	26
6	6	6	6	6
69	70	70	72	67
8	8	8	9	6
8	7	7	7	8
<u>65</u>	<u>63</u>	<u>64</u>	<u>65</u>	<u>63</u>
230	238	239	234	217

Exhibit B-19

Operating and Capital Indicators

For The Fiscal Years Ended December 31, 2004 Through 2013 Milwaukee Metropolitan Sewerage District

	Fiscal Year					
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>		
Wastewater Treatment						
Miles of Sewers	347	356	356	321		
Number of Water Reclamation Facilities	2	2	2	2		
Treatment Capacity (MGD)	600	600	600	600		
Storage Capacity (millions of gallons)	521	521	521	521		
Amount Treated Annually (millions of gallons)	73,900	60,100	74,100	71,300		
Percentage of Treatment Capacity Utilized ¹	61.30%	49.90%	61.50%	59.20%		
Number of Inline Storage System Events	42	47	51	40		
Number of Overflows	2	1	1	8		
Greenseams Acres Acquired to Date	2,682	2,500	2,348	2,254		
Household Hazardous Waste (lbs collected) ²	866,609	977,176	965,804	992,266		
Milorganite® Production (tons)	47,954	45,203	49,376	48,817		
Milorganite® Tons Sold	47,672	41,378	36,073	36,685		
Average selling price per ton shipped	\$164.15	\$ 185.89	\$ 196.49	\$ 192.71		

¹ In the 2013 CAFR, the District calculated the percent of treatment capacity utilized by using the plant design maximum monthly capacity numbers rather than the full treatment capacity.

Sources:

MMSD 2013 O&M and Capital Budgets, MMSD Annual Capacity, Management, Operation, and Maintenance (CMOM) Program Report, and MMSD real estate records.

² Does not include medicine collection pounds.



Fiscal Year							
2009	2008	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>		
321	310	310	310	310	310		
2	2	2	2	2	2		
600	600	600	600	600	600		
494	494	494	494	405	405		
72,200	77,600	67,400	69,400	62,914	74,579		
59.90%	64.40%	56.00%	57.70%	52.20%	61.90%		
37	42	44	52	45	25		
6	5	6	4	1	2		
2,034	1,848	1,621	1,160	705	598		
1,095,425	998,113	1,306,475	1,326,732	1,016,601	1,107,058		
45,338	40,786	27,693	33,566	43,175	48,236		
39,277	35,792	32,722	41,469	42,073	41,868		
\$ 189.61	\$ 181.75	\$ 150.24	\$ 144.01	\$ 138.92	\$ 136.25		

MMSD's Mission

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





Overall responsibility for preparation of this report was provided by:

Mark T. Kaminski, CPA, Controller/Treasurer

Starr M. Pentek-Schuetz, Graphics Designer









South Shore Water Reclamation Facility



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

Statements of Net Position

December 31, 2014 And 2013 Milwaukee Metropolitan Sewerage District Unaudited

Assets	_	2014	_ `	2013
Current unrestricted assets:		(In Thousands)		
Cash and investments	\$	18,601	\$	25,375
Receivables:	Ψ	10,001	Ψ	20,010
Billed user charges		6,299		5,853
Unbilled user charges		11,585		11,191
Fertilizer sales		1,371		1,074
Other		3,584		2,231
Inventories:				
Operating and maintenance supplies		2,744		2,872
Fertilizer		1,809		1,940
Total current unrestricted assets		45,993		50,536
Current restricted assets:				
Cash and investments		46,882		36,175
Receivables:				
Tax levy		93,639		91,222
Capital charges – municipalities outside the District		33,225		28,403
Grant funds		602		1,360
Other		280		279
Prepaid expenses and other	_	408	_	517
Total current restricted assets	_	175,036	_	157,956
Total current assets	_	221,029	_	208,492
Noncurrent restricted assets:				
Investments		38,500		57,750
	_	,		,
Capital assets, at cost:				
Land		73,102		72,591
Land easements		18,576		18,545
Land improvements		19,549		19,538
Buildings		803,028		802,701
Aeration and clarifier tanks		86,242		85,249
Machinery and equipment		884,280		786,344
Intercepting sewer system		2,454,256		2,438,585
Interceptor rights		24,589		24,565
Watercourse improvement		349,075		342,415
Construction in progress	_	220,533	_	280,215
		4,933,230		4,870,748
Less accumulated depreciation		(1,485,052)	_	(1,398,450)
Net capital assets	_	3,448,178	_	3,472,298
Total assets	\$	3,707,707	\$	3,738,540



Liabilities	2014	2013
Current liabilities (payable from current assets):	(In Thous	sands)
	6,402 \$	6,929
Accrued salaries and wages	400	1,013
Accrued vacation pay	1,053	1,097
Other	440	410
Total current liabilities (payable from current assets)	8,295	9,449
Current liabilities (payable from restricted assets):		
Accounts payable	13,614	4,986
Retainers payable	872	1,128
Accrued interest	7,209	7,073
Long-term obligations due within one year	89,520	84,381
Total current liabilities (payable from restricted assets)	111,215	97,568
Total current liabilities payable	119,510	107,017
Noncurrent liabilities:		
Retainers payable	217	246
Long-term obligations:		
General obligation bonds	204,691	239,208
Clean Water Fund Program loans	635,545	652,818
Intergovernmental loan	23,459	24,565
Postretirement benefits	41,906	36,910
Accrued vested sick pay	555	715
State loans payable - long term	2,706	3,483
Total long-term obligations	909,079	957,945
Total liabilities	1,028,589	1,064,962
Deferred Inflows of Resources	00.000	0.4.000
Tax levies	93,639	91,222
Capital charges – municipalities outside the District	28,871 98	26,351
Unamortized gain on refundings		204
Total deferred inflows of resources	122,608	117,777
Total liabilities and deferred inflows of resources	1,151,197	1,182,739
Net Position Net Position:		
Investment in capital assets	2,486,416	2,464,531
Restricted – capital projects and programs	34,527	46,210
Restricted – equipment replacement	14,411	14,411
Restricted – equipment replacement	25,541	26,518
Unrestricted	(4,385)	4,131
Total net position \$		2,555,801

Statements of Revenues, Expenses and Changes in Net Position

December 31, 2014 And 2013 Milwaukee Metropolitan Sewerage District Unaudited

		2014	2013
Operating revenues:		(In Thousands)	
User charges	\$	70,029	\$ 69,572
Fertilizer		7,993	7,667
Other		784	1,158
Total operating revenues		78,806	78,397
Operating expenses:			
Systems – operation and maintenance		58,754	57,130
Laboratory and research services		2,449	2,448
Industrial waste and conveyance monitoring		3,445	3,227
Finance, engineering, and administration		23,311	22,331
Depreciation and amortization		87,647	82,785
Total operating expenses	_	175,606	167,921
Operating loss	_	(96,800)	(89,524)
Nonoperating revenues (expenses):			
Property taxes - capital		90,919	88,626
Investment income		478	591
Net increase (decrease) in fair value of investments		(42)	(644)
Interest expense		(24,261)	(24,293)
Capital charges – municipalities outside the District		29,396	28,424
Gain (loss) on disposal of capital assets		(2,110)	(1,582)
Capital program expenditures		(5,445)	(4,899)
Land contributed to municipalities		(721)	(176)
Other	-	3,291	2,078
Total nonoperating revenues, net	-	91,505	88,125
Income (loss) before capital contributions		(5,295)	(1,399)
Capital contributions		6,004	3,016
Change in net position		709	1,617
Net position at beginning of year		2,555,801	2,554,184
Net position at end of year		2,556,510	\$ 2,555,801

APPENDIX B

FORM OF LEGAL OPINIONG

May ____, 2015

Milwaukee Metropolitan Sewerage District 260 West Seeboth Street Milwaukee, Wisconsin 53204

Subject: \$100,000,000

Milwaukee Metropolitan Sewerage District, Wisconsin General Obligation Promissory Notes, Series 2015A

We have acted as bond counsel to the Milwaukee Metropolitan Sewerage District, Wisconsin (the "**District**") in connection with the issuance of its \$100,000,000 General Obligation Promissory Notes, Series 2015A, dated May 11, 2015 (the "**Obligations**").

We examined the law, a certified copy of the proceedings relating to the issuance of the Obligations, and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon the certified proceedings and certifications without independently undertaking to verify them.

Based upon this examination, it is our opinion that, under existing law:

- 1. The Obligations are valid and binding general obligations of the District.
- 2. All taxable property in the District's territory is subject to *ad valorem* taxation without any limit as to rate or amount to pay the principal and interest coming due on the Obligations. The District is required by law to include in its annual tax levy the principal and interest coming due on the Obligations except to the extent that the District has deposited other funds, or there is otherwise surplus money, in the account within the debt service fund created for the Obligations under Wisconsin law.
- 3. Interest on the Obligations is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the Obligations is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The District must comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied after the Obligations are issued for interest on the Obligations to be, or continue to be, excluded from gross income for federal income tax purposes. The District has agreed to comply with those requirements. Its

failure to do so may cause interest on the Obligations to be included in gross income for federal income tax purposes, in some cases retroactively to the date the Obligations were issued. We express no opinion about other federal tax law consequences relating to the Obligations.

The rights of the owners of the Obligations and the enforceability of the Obligations may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding).

We express no opinion as to the truth or completeness of any official statement or other disclosure document used in connection with the offer and sale of the Obligations.

Our opinion is given as of the date of this letter. We assume no duty to update our opinion to reflect any facts or circumstances that later come to our attention or any subsequent changes in law. In acting as bond counsel, we have established an attorney-client relationship solely with the District.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of May ____, 2015 (this "**Disclosure Agreement**"), is executed and delivered by the Milwaukee Metropolitan Sewerage District, Wisconsin (the "**Issuer**"), a municipal securities issuer and a governmental entity located in the State of Wisconsin. The Issuer covenants and agrees as follows:

Section 1. <u>Definitions</u>.

The following capitalized terms have the following meanings:

"Annual Financial Information" means the Issuer's financial information or operating data, for the preceding fiscal year, of the type included in a final official statement, as described in Section 3(b) hereof.

"Commission" means the U.S. Securities and Exchange Commission.

"Dissemination Agent" means any agent responsible for assisting the Issuer in carrying out its obligations under this Disclosure Agreement, which has been designated as a dissemination agent in writing by the Issuer, and has filed with the Issuer a written acceptance of such designation, and the successors and assigns of such dissemination agent.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures, a Commission-approved electronic database established and operated by the MSRB to accommodate the collection and availability of required filings of secondary market disclosures under the Rule.

"Event Notice" means a notice of occurrence of a Listed Event provided under Section 4(b) hereof or a notice provided under Sections 3(d), 4(c), or 8 hereof, each of which shall be transmitted as described in Section 5 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Issuer" means the municipal securities issuer named above.

"**Listed Event**" means any of the events listed in Section 4(a) of this Disclosure Agreement that is material to the Owners.

"MSRB" means the Municipal Securities Rulemaking Board, which serves as the sole repository for all required filings of all secondary market disclosures under the Rule.

"**Obligations**" means the Issuer's \$100,000,000 General Obligation Promissory Notes, Series 2015A, dated May _____, 2015.

"Owners" means the beneficial owners from time to time of the Obligations.

"Participating Underwriter" means any broker, dealer, or municipal securities dealer that is required to comply with the Rule when acting as an underwriter in a primary offering of the Obligations.

"Resolution" means collectively, the resolutions adopted by the governing body of the Issuer on September 22, 2014 and on April 20, 2015, pursuant to which the Obligations are issued.

"**Rule**" means Rule 15c2-12(b)(5) adopted by the Commission under the Exchange Act.

Section 2. <u>Purpose of this Disclosure Agreement.</u>

The purpose of this Disclosure Agreement is to assist Participating Underwriters in complying with the Rule when acting as an underwriter in a primary offering of the Obligations.

Section 3. <u>Annual Financial Information</u>.

- (a) The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year, submit its Annual Financial Information to the MSRB.
- (b) The Annual Financial Information will consist of (i) the Issuer's audited annual financial statements prepared using generally accepted accounting principles, and (ii) the following operating data:
 - 1. expenses by type,
 - 2. revenues by source,
 - 3. sewer user charges by municipalities within the metropolitan sewerage district,
 - 4. sewer user charges by municipalities outside the metropolitan sewerage district,
 - 5. sewer user charge rates,
 - 6. ten largest sewer users,
 - 7. tax levies and tax rates,
 - 8. equalized value of taxable property,
 - 9. ratio of bonded debt to equalized value and bonded debt per capita,
 - 10. statement of bonded debt limit,

- 11. computation of overlapping debt, and
- 12. ten largest taxpayers.
- (c) If the Issuer's audited annual financial statements are not available at the time the Annual Financial Information is due to be submitted, then the Issuer shall submit the statements to the MSRB within ten business days after they are publicly available.
- (d) If the Issuer fails to submit its Annual Financial Information to the MSRB by the date required in subsection (a) above, then the Issuer shall promptly send an Event Notice of such failure to the MSRB.

Section 4. <u>Event Notices</u>.

- (a) This Section 4 shall govern the submission of an Event Notice after the occurrence of any of the following Listed Events with respect to the Obligations:
 - 1. Principal and interest payment delinquencies.
 - 2. Non-payment related defaults, if material under the Exchange Act.
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties.
 - 4. Unscheduled draws on credit enhancements reflecting financial difficulties.
 - 5. Substitution of credit or liquidity providers, or their failure to perform.
 - 6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Obligations.
 - 7. Modifications to rights of Owners, if material under the Exchange Act.
 - 8. Redemptions of the Obligations, if material under the Exchange Act, and tender offers.
 - 9. Defeasances.
 - 10. Release, substitution, or sale of property securing repayment of the Obligations, if material under the Exchange Act.

- 11. Rating changes.
- 12. Bankruptcy, insolvency, receivership, or similar event of the Issuer (for the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the Issuer).
- 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material under the Exchange Act.
- 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material under the Exchange Act.
- (b) The Issuer shall submit an Event Notice to the MSRB not in excess of ten business days after the occurrence of the particular Listed Event.
- (c) If the Issuer determines that it failed to submit an Event Notice of an occurrence of a Listed Event as required by this section, then it shall promptly submit an Event Notice with respect to such occurrence to the MSRB.

Section 5. <u>Transmittal of Annual Financial Information and Event Notices.</u>

Annual Financial Information and Event Notices shall be submitted to the MSRB in an electronic format, and accompanied by identifying information, as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB requires that all submissions of secondary disclosure be made through EMMA. The Annual Financial Information may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Financial Information may be incorporated by reference from

other documents available to the public on the MSRB's Internet Website or filed with the Commission. The Issuer shall clearly identify each document so incorporated by reference.

Section 6. Duty to Confirm MSRB's Filing Format and Procedure.

Each time the Issuer submits information to the MSRB in accordance with this Disclosure Agreement, it shall confirm, in the manner it deems appropriate, the MSRB's prescriptions concerning the electronic format and accompanying identifying information for submissions. As of the date of this Disclosure Agreement, information on the MSRB's required electronic format and submission procedures through EMMA can be found on the MSRB's Internet Web site at www.emma.msrb.org.

Section 7. <u>Termination of Disclosure Agreement and Reporting</u> Obligation.

This Disclosure Agreement and the Issuer's disclosure obligations under this Disclosure Agreement with respect to the Obligations shall terminate upon the legal defeasance, prior redemption, or payment in full of all the Obligations or if the Rule shall be revoked or rescinded by the Commission or declared invalid by a final decision of a court of competent jurisdiction.

Section 8. <u>Amendment; Waiver</u>.

Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if the following conditions are met:

- (a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or an obligated person, or the type of business conducted;
- (b) This Disclosure Agreement, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not materially impair the interests of Owners, as determined either by parties unaffiliated with the Issuer or obligated person (such as the fiscal agent, trustee, or bond counsel), or by approving vote of the Owners pursuant to the terms of the Resolution at the time of the amendment.

In the event this Disclosure Agreement is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Financial Information it submits after such event shall include an

explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an Event Notice and that the next Annual Financial Information it submits after such event will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Dissemination Agent.

The Issuer may, from time to time, appoint or engage a Dissemination Agent and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Additional Information.

The Issuer may from time to time choose to disseminate other information, using the means of transmittal set forth in this Disclosure Agreement or any other means of communication, or to include other information with its Annual Financial Information or Event Notice, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information with its Annual Financial Information or Event Notice in addition to that which is specifically required by this Disclosure Agreement, then the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or Event Notice.

Section 11. Default.

The sole remedy of the Owners under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. <u>Beneficiaries</u>.

The Issuer intends to be contractually bound by this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Owners, and shall create no rights in any other person or entity.

Section 13. Recordkeeping.

The Issuer shall maintain records of all Annual Financial Information and Event Notices submitted to the MSRB pursuant to this Disclosure Agreement, including the content and the date of filing of such submissions.

Section 14. Responsible Officer.

The Issuer's Treasurer shall be the officer, representative, agency, or agent of the Issuer ultimately responsible for submitting Annual Financial Information and Event Notices to

the MSRB, to the extent required hereunder, regardless of whether a Dissemination Agent has been appointed, and any inquiries regarding this Disclosure Agreement should be directed to:

Milwaukee Metropolitan Sewerage District

Attention: Treasurer 260 West Seeboth Street Milwaukee, WI 53204-1446 Telephone: (414) 225-2050 Fax: (414) 272-0270

Email: mkaminski@mmsd.com

[Signature Page Follows]

IN WITNESS WHEREOF, the Issuer has caused this Disclosure Agreement to	be be
executed by its duly authorized officer or representative as of the date written above.	

Milwaukee Metropolitan Sewerage District Wisconsin Issuer
By: Mark T. Kaminski, Treasurer

