FINAL OFFICIAL STATEMENT DATED DECEMBER 13, 2010

NEW ISSUE **RATINGS:** Fitch: AAA
Moody's: Aaa
Standard & Poor's: AA+
(See "RATINGS" herein)

In the opinion of Foley & Lardner LLP, Bond Counsel, under existing law, interest on the Bonds will be includible in gross income for federal income tax purposes. See "TAX STATUS" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes.

$50,000,000
MILWAUKEE METROPOLITAN SEWERAGE DISTRICT,
Taxable General Obligation Sewerage System Bonds, Series 2010L
(Build America Bonds-Direct Payment)

Dated: December 23, 2010 **Due:** As Shown Below

The $50,000,000 Taxable General Obligation Sewerage System Bonds, Series 2010L (the "Obligations") will be dated the date of issuance and will mature serially on October 1 as shown below. Interest shall be payable on each April 1 and October 1, beginning on April 1, 2011. U.S. Bank National Association will serve as paying agent for the Obligations.

MATURITY SCHEDULE

Year (October 1)	Amount	Rate	Yield	CUSIP[(1)] Base (602409)	Year (October 1)	Amount	Rate	Yield	CUSIP[(1)] Base (602409)
2011	$2,375,000	0.85%	0.85%	GX6	2021	$2,420,000	4.50%	4.50%	HH0
2012	2,115,000	1.40	1.40	GY4	2022	2,485,000	4.50	4.50	HJ6
2013	2,130,000	2.00	1.84	GZ1	2023	2,555,000	4.60	4.60	HK3
2014	2,150,000	2.80	2.59	HA5	2024	2,620,000	4.75	4.75	HL1
2015	2,170,000	3.10	2.89	HB3	2025	2,700,000	4.90	4.90	HM9
2016	2,195,000	3.50	3.32	HC1	2026	2,785,000	5.10	5.10	HN7
2017	2,230,000	3.75	3.52	HD9	2027	2,875,000	5.25	5.25	HP2
2018	2,270,000	4.20	3.95	HE7	2028	2,975,000	5.35	5.35	HQ0
2019	2,310,000	4.20	4.20	HF4	2029	3,080,000	5.45	5.45	HR8
2020	2,365,000	4.30	4.30	HG2	2030	3,195,000	5.55	5.55	HS6

The proceeds of the Obligations will be used for the purpose or purposes of financing a portion of the District's capital budget for the year 2011 and subsequent years. (See "THE RESOLUTIONS" herein.)

The Obligations maturing on or after October 1, 2021 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, 2020 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 PROVSIONS" herein.)

The Obligations are being issued pursuant to Chapter 67 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 has the power to 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: **BAIRD**

The Obligations will be issued only as fully registered bonds 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 integral 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, Bond Counsel. The anticipated settlement date for the Obligations is on or about December 23, 2010.

Citigroup Global Markets Inc.

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

COMMISSIONERS

Dale J. Richards, Chair
Wallace White, Vice Chair
Lyle A. Balistreri, Commissioner
Tim Carpenter, Commissioner
Michal Ann Dawson, Commissioner
Jill Didier, Commissioner
Ben Gramling, Commissioner
John R. Hermes, Commissioner
Lena C. Taylor, Commissioner
Willie C. Wade, Commissioner
Michael A. West, Commissioner

DISTRICT STAFF

Kevin L. Shafer, P.E., Executive Director
Michael J. McCabe, Director of Legal Services
Marjorie Stahl, Commission Secretary
Michael J. Martin, P.E., Director of Technical Services
Mark T. Kaminski, Acting Controller and Treasurer

PROFESSIONAL SERVICES

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

Bond Counsel: Foley & Lardner LLP

Paying Agent: U.S. Bank National Association

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson, or other person has been authorized by the District or by Robert W. Baird & Co., the Financial Advisor, to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy the Obligations, nor shall there be any sale of the Obligations, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Robert W. Baird & Co., in its role as Financial Advisor, assisted the District in preparing the Official Statement. Robert W. Baird & Co. obtained information from the District and other sources that it believed was reliable but cannot guarantee the accuracy or completeness of the information in this Official Statement.

The Underwriter has provided the following sentence for inclusion in the Official Statement. The Underwriter 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 Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any other sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District.

Certain statements in this Official Statement are forward-looking statements that are based on expectations, estimates, projections, and assumptions. Forward-looking statements contained in this Official Statement are made as of the date hereof, and the District undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE 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 UNDERWRITER AFTER SUCH TIME AS 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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SUMMARY

District:	MILWAUKEE METROPOLITAN SEWERAGE DISTRICT, Wisconsin.
Issue:	$50,000,000 Taxable General Obligation Sewerage System Bonds, Series 2010L.
Dated Date:	December 23, 2010.
Interest Due:	Each April 1 and October 1, beginning on April 1, 2011. Interest on the Obligations will be computed on the basis of a 30-day month and a 360-day year.
Principal Due:	October 1, 2011 through 2030.
Denominations:	$5,000 or integral multiples thereof.
Redemption Provisions:	The Obligations maturing on or after October 1, 2021 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, 2020 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. All or a portion of the Obligations may be issued as one or more term bonds, upon election by the winning bidder. The 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, credit and resources of the District are pledged to the payment of the principal of and the interest on the Obligations without limitation as the same become due; 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. The Obligations are not an obligation of the City of Milwaukee or any other local government that is a member of the District or that receives service from the District. The Obligations also are not an obligation of Milwaukee County or of any county within the District's territory.
Credit Ratings:	The District has received ratings on this issue of "AAA", "Aaa" and "AA+" from Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Corporation, respectively. (See "RATINGS" herein.)
Purpose:	The proceeds of the Obligations will be used for the purpose or purposes of financing a portion of the District's capital budget for the year 2011 and subsequent years. (See "THE RESOLUTIONS" herein.)
Authority for Issuance:	The District has authorized the sale and issuance of the Obligations in accordance with the provisions of Chapter 67 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 **includible** in 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 December 23, 2010 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:	548,676.11 years.
Average Life:	10.974 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, comprising parts of Milwaukee, Ozaukee, Washington and Waukesha Counties, Wisconsin (the "District") in connection with the sale of the District's $50,000,000 Taxable General Obligation Sewerage System Bonds, Series 2010L (the "Obligations"). The Obligations are being issued pursuant to the Constitution and laws of the State of Wisconsin (the "State") and the resolutions adopted by the Commissioners of the District (the "Resolutions") and other proceedings and determinations related thereto.

Upon the issuance of the Obligations, the total outstanding amount of general obligation debt will be $983,785,024 consisting of $321,635,000 principal amount of District general obligation bonds, and $662,150,024 principal amount of general obligation promissory notes under 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, credit and resources of the District are pledged to the payment of the principal of and the interest on the Obligations without limitation as the same become due, 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. The Obligations are not an obligation of the City of Milwaukee or any other local government that is a member of the District or that receives service from the District. The Obligations also are not an obligation of Milwaukee County or of any county within the District's territory.

MATURITY AND INTEREST RATES

The Obligations are to be dated December 23, 2010 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 front cover page of this Official Statement. Interest on the Obligations will be payable on each April 1 and October 1, beginning on April 1, 2011, and is calculated on the basis of a 360-day year of twelve 30-day months.

REDEMPTION PROVISIONS

The Obligations maturing on or after October 1, 2021 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, 2020 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.

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

The Constitution and laws of the State of Wisconsin (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 authorizes 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.

Promissory Notes

The District is authorized to borrow money using promissory notes. To evidence such indebtedness the District must issue to the lender its promissory notes payable, with interest, within a period not exceeding twenty years following the date of any such notes 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 (as hereinafter defined) 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 using general obligation bonds. To evidence such indebtedness the District must issue to the lender its bonds payable with interest, within a period not exceeding fifty years following the date of said 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 (as hereinafter defined) 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. Bonds issued by the District to refinance and refund outstanding promissory notes or bonds may be payable no later than fifty years following the original date of such notes or bonds.

Issuance of bonds and 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 using refunding bonds for refunding existing debt. To evidence such indebtedness, the District must issue its refunding bonds (with interest) payable within a period not exceeding fifty years. Such refunding bonds constitute a general obligation of the District.

Bond Anticipation Notes

In anticipation of issuing general obligation bonds or 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 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", on page 27.

THE RESOLUTIONS

The following is a summary of certain provisions of the Resolutions adopted or to be adopted by the Metropolitan Sewerage District Commission of the District (the "Commission") pursuant to the procedures prescribed by the Wisconsin Legislature. Reference is made to the Resolutions for a complete recital of their terms.

The Initial Resolution

By way of a resolution adopted on November 15, 2010, the Commission authorized the sale and issuance of general obligation bonds or notes in a principal sum not to exceed $61,000,000 for the purpose or purposes of financing a portion of the District's capital budget for the year 2011 and subsequent years, which includes, but is not limited to, the acquisition, leasing, planning, design, construction, development, extension, enlargement, renovation, rebuilding, repair, or improvement of land, waters, property, highways, buildings, equipment, or facilities relating to the sewerage system of the District (collectively, the "Project").

The Award Resolution

By way of the resolution adopted on December 13, 2010 (the "Award Resolution"), the Commission accepted the bid for the purchase of the Obligations submitted by the Underwriter whose bid for the Obligations complied with all bidding specifications. The Award Resolution will also provide the details and form of the Obligation, and set out certain covenants with respect thereto. The Award Resolution will pledge the full faith, credit and resources 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 2011 to 2030 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 will require that the District must keep the proceeds of the taxes levied for the payment of the principal of and interest on the Obligations in 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 of Wisconsin. The District has authority to levy taxes within its corporate boundary and to impose use 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 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 and small areas in the City of Franklin that are not likely to receive sewer service from the District within 10 years. 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. Substantially all of the tax base of the following 18 cities and villages is within the District's legal boundary:

Cities		Villages	
Cudahy	Oak Creek	Bayside	River Hills
Franklin	St. Francis	Brown Deer	Shorewood
Glendale	Wauwatosa	Fox Point	West Milwaukee
Greenfield	West Allis	Greendale	Whitefish Bay
Milwaukee		Hales Corners	

Pursuant to Sections 200.21 through 200.65 of the Wisconsin Statues (the "Enabling Act"), the District is authorized to establish a new boundary. Under 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. Local municipalities must approve the District's determination that a given area will receive service within 10 years. 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.

The effect of rules adopted by the Commission to implement the Enabling Act is the possible inclusion of areas outside the District's present boundary likely to receive service within 10 years. Every two years, the District must reevaluate the boundary and include any new area likely to receive service within the succeeding 10-year period. Areas that require service during the biennium between boundary reevaluations may receive service on a contract basis.

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 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 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:

District Commissioners	Expiration of Term
Dale J. Richards, Chair *Former Mayor, Oak Creek and Intergovernmental Cooperation Council Citizen Member*	December 2, 2011
Wallace White, Vice Chair *Principal, W2 Excel, LLC*	July 11, 2011
Lyle A. Balistreri, Commissioner *President, Milwaukee Building & Construction Trades Council, AFL-CIO*	July 9, 2012
Tim Carpenter, Commissioner *State Senator*	July 11, 2011
Michal Ann Dawson, Commissioner *Retired Deputy Commissioner, Department of City Development*	July 9, 2012
Jill Didier, Commissioner *Mayor, City of Wauwatosa*	July 8, 2013
Ben Gramling, Commissioner *Director of Environmental Health Programs, Sixteenth Street Community Health Center*	July 11, 2011
John R. Hermes, Commissioner *President, Village of Greendale*	July 8, 2013
Lena C. Taylor, Commissioner *State Senator*	July 11, 2011
Willie C. Wade, Commissioner *City of Milwaukee Alderman, District #7*	July 11, 2011
Michael A. West, Commissioner *President, Village of Fox Point*	July 11, 2011

Management

The Commission appoints an executive director, director of legal services, secretary and treasurer. The executive director reports directly to the Commission. The district treasurer and director of legal services report to the executive director. The commission secretary reports to the agency services manager who reports to the executive director.

Name	Title
Kevin L. Shafer, P.E.	Executive Director
Michael J. McCabe	Director of Legal Services
Marjorie Stahl	Commission Secretary
Michael J. Martin, P.E.	Director of Technical Services
Mark T. Kaminski	Acting Controller and Treasurer

Employee Relations

The District currently employs approximately 237 people, of whom approximately 118 are represented by one union, which has a collective bargaining agreement with the District.

Department	Number of Employees
Administrative	83
Engineering and Planning	86
Monitoring and Laboratory	68
TOTAL	237

District Council 48, Local 366, AFSCME, AFL-CIO represents 118 District employees pursuant to a contract which expires on April 30, 2012.

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 ("PERS"). The covered payroll for District employees participating in the Retirement System for the year ended December 31, 2009, the latest year for which audited figures are available, was $16.3 million; the District's total payroll was $17.1 million.

Covered employees of the District 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 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, 2009, the employee contributions totaled $909,000. During 2009 the District was required to contribute an additional $1,070,000 to fully fund the plan as the value of Plan assets decreased during the year. No such contribution is required for 2010.

Other Post Employment Benefits

The District currently provides post employment benefits for its employees who retire and meet other negotiated criteria. Similar to many other governmental units, 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.

Financial Powers

The District has a full 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 boundary for the following purposes:

1. To pay principal, interest and any premiums on bonds or notes issued by the District for capital improvements.

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, Wisconsin statutes allow 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 and notes 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, its fleet of passenger and commercial vehicles (including comprehensive liability), workers' compensation and health benefits. Other than under its automobile insurance policies, 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 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 bid process, which included UWS.

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. The District has an extensive contract compliance and oversight program developed with respect to the operating contracts.

THE EXISTING SEWERAGE FACILITIES

Water Reclamation Plants

The District has two water reclamation plants, which are operated by Veolia through its operating contract with the District. The plants provide sewerage 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 full secondary treatment is 300 MGD. The peak (hourly) design capacity for full secondary treatment is approximately 330 MGD; full capacity with 60 MGD; in-plant diversion is 390 MGD. Current average daily flows to the plant are 112 MGD.

Wastewater treatment at Jones Island consists of preliminary/primary treatment, secondary treatment, phosphorus removal, disinfection and dechlorination, including 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 to the south of Jones Island in Oak Creek, the South Shore Water Reclamation Facility ("South Shore") was constructed in 1964 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 100 MGD, mostly from the southern and western portions of the District's service area.

Sludge generated by the South Shore treatment process is either sent to digesters or pumped through the approximately 12-mile long interplant pipeline to Jones Island for processing into Milorganite®. After digestion, the stabilized sludge is dewatered in the solids processing facilities and then applied to agricultural sites as an organic fertilizer or sometimes 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®. 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 interconnecting 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/governments within the District and those contracted 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 320 miles of sanitary and combined sewers, 8 sanitary sewer pump stations, and 7 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 throughout 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 deep tunnel storage system, a large underground storage facility (the "Deep Tunnel"). Diversion of flow between subsystems is accomplished by gates and flow diversion devices controlled from the District's Central Control System.

Deep Tunnel and Northwest Side Relief Storage (NWSRS) Tunnel

The Deep Tunnel and Northwest Side Relief Storage (NWSRS) Tunnel store peak wastewater flows that temporarily exceed the capacity of either wastewater treatment plant or the MIS system. The system is designed to substantially reduce the number of combined sewer overflows and meet permit requirements for the treatment of separate sewer flows. The Deep Tunnel consists of 24.9 miles of tunnels 300 feet underground with a capacity of 432 million gallons of storage. The cornerstone of the District's Water Pollution Abatement Program, the Deep Tunnel became fully operational in 1994. In April 2010 a two-mile-long extension to the Deep Tunnel was completed, adding 27 million gallons of storage.

The NWSRS Tunnel is a conveyance and storage tunnel approximately 7.1 miles long, and 20 feet in diameter. It adds 89 million gallons of storage capacity to the existing system. It went on-line in February 2006.

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 system and the local sewer systems are monitored using continuous monitors. Continuous monitors are permanently installed in over 300 locations and primarily use a wireless communication system to transmit data back to the District's Central Control System located at Jones Island. In addition, a single operator using the Central Control System can remotely divert certain flows from one drainage basin subsystem to another, from one treatment plant to another or to the Deep Tunnel.

CAPITAL IMPROVEMENTS PROGRAM 2011 - 2020

The District's planning for future capital expenditures has resulted in a proposed capital improvements program from 2011 through 2020. 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 that the FIS. The AIS will be continuously monitored and periodically revised as water quality, population growth, and land use changes occur.

The proposed capital improvements program from 2011 through 2020 continues to include projects to be undertaken to improve the District's water reclamation facilities and conveyance systems, to provide improved flood protection to the waterways, and to set aside funds to replace aging machinery and equipment at the water reclamation facilities and in the conveyance system. A recent change in capital expenditure projections from 2011 through 2020 is the expansion of the District's Private Property Infiltration and Inflow Reduction program. The 2010 capital budget included $5.5 million for this effort. Largely due to the extreme wet weather that exceeded system capacity that occurred in the District's service area in the summers of 2008, 2009 and 2010, the District has expanded the initiative and is planning to provide $157.3 million in funding from 2010 through 2020.

The proposed capital improvements program from 2011 through 2020 is estimated to cost $2.2 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 2011 through 2020 includes approximately $468.5 million for improvements to these facilities. Of the $468.5 million, $305.9 million are planned for improvements to the Jones Island facility, $134.1 million for improvements to the South Shore facility, and $28.5 million for the Interplant Pipeline.

Jones Island Water Reclamation Facility Improvements

At the Jones Island facility, major rehabilitation is currently underway that includes $46.2 million to improve primary treatment, including $31.9 for a Preliminary Facility Upgrade and $8.7 million to complete an Inline Storage System Pump Station Equipment Upgrade; $25.3 million to improve secondary treatment, including $13.0 million for an Aeration System Evaluation and Improvement and $11.3 million for Secondary Clarifier Drive Replacement; $4.0 million for advanced treatment, $25.0 million to improve solids processing facilities, including $12.6 million for a Drying and Dewatering Belt Filter Press improvement; and $172.5 million for projects not specifically related to a unit process, including $51 million for five landfill gas turbines that will replace the current two natural gas turbines that are 40 years old and other projects such as, site settlement upgrades, variable frequency drive replacements, and allowances for future machinery and equipment needs

South Shore Water Reclamation Facility Improvements

At the South Shore facility, major rehabilitation is currently underway that includes $3.1 million to improve primary treatment, $17.8 million to improve secondary treatment, including $9.2 million for the South Shore Capacity Improvements project and $7.0 million for the Secondary Clarifier upgrade; $11.8 million to improve solids processing facilities, including $5.3 million for Plate and Frame Press upgrade, $3.5 million for aeration basin concrete rehabilitation and $2.5 million for thickening process capacity enhancements; and $81.7 million for projects not specifically related to a unit process, including $7.8 million for roadways and walkways improvements, and other projects such as masonry restoration, lighting upgrades, utility substations, and allowances for future machinery and equipment needs.

Interplant Pipeline Facility Improvements

Work on the interplant pipeline includes $20.4 million for the addition of a landfill gas pipeline and $7.0 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 2011 through 2020 includes $192.6 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. $148.6 million are included in the proposed capital improvements program from 2011 through 2020 for improvements to the MIS system.

Projects planned from 2011 through 2020 for MIS include the following structural and hydraulic upgrades to the central MIS portion of the service area: $16.0 million for the 107th St. MIS Improvement project, $15.7 million for the South 6th Street & Warnimont MIS Rehab, $7.8 million for Oklahoma Ave MIS Rehabilitation project, $7.5 million for Overflow Relief for the Northwest MIS Network, $6.5 million for a Diversion Chamber Conversion project, $5.5 million to complete the Harbor Siphons Program, $1.4 million for the Ryan Creek Interceptor, and allowances for future needs.

Inline Storage System

The proposed capital improvements program from 2011 through 2020 includes $8.3 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, from one facility to another, to the Deep Tunnel or to the NWSRS. Approximately $15.4 million is included in the proposed capital improvements program from 2011 through 2020 for improvements to the Central Control System, including $15.1 million for the installation of equipment related to the Wet Weather Peak Flow Management Project.

WATERCOURSE 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 proposed capital improvements program from 2011 through 2020 includes $66.6 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 $28.0 million for final design and construction of the Western Milwaukee project, $6.3 million for Underwood Creek, $7.7 million for Kinnickinnic River Flood Management, and $6.0 million for the Greenseams Program to retain natural stormwater detention

OTHER PROJECTS

The proposed capital improvements program from 2011 through 2020 includes $255.3 million for projects related to District facilities and Facilities Planning including work related to the sustainability of District facilities, regional stormwater integration planning, and planning for the adaption to wet weather. It also includes the District's Workforce Development Training and Placement Program, financial planning, capital project insurance through the District's Owner Controlled Insurance Program, and allowance for cost and schedule changes.

In addition, as mentioned earlier, the 2011 through 2020 extended financing plan increases funding for Private Property Infiltration and Inflow Reduction from $5.5 million to $157.3 million, with $122.3 million proposed to be expended through the year 2016. The expansion of this project is a major change and significant initiative to address extreme wet weather that exceeds system capacity that has occurred in the District's service area since 2008. To address the great magnitude of the problem, the 2011-2020 capital improvements program includes an expanded Private Property Infiltration and Inflow (PPII) Reduction program. 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 project, the District is providing a funding mechanism to spearhead solutions for PPII that will be implemented by municipalities across the service area.

LONG-RANGE FINANCING PLAN 2011 - 2020

In adopting the 2011 Capital Budget, the Commission approved a long-range financing plan for the years 2011 through 2016. The financing plan provides for a tax levy increase of 3.9 percent for 2011 purposes and 6 percent per year from 2012 through 2016. The extended financing plan through 2020, presented to the Commission for long-range financial planning associated with implementation of the approved 2020 Facilities Plan, projects levy increases of 3 percent for 2017, and no change thereafter through 2020. The tax rate for 2011 is $1.44 per thousand dollars of equalized valuation. Assuming a property value growth rate of 2 percent per year from 2012 through 2020, tax rates in the extended long-range financing plan from 2011 through 2020 range from $1.44 to $1.77 per thousand dollars of equalized valuation.

The Commission has approved the 2020 Facilities Plan, the 2011 Capital Budget and the long-range financing plan for the years 2011 through 2016 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 District's 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 2011 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,
- Maintaining outstanding debt at no more than 2.5 percent of total equalized property value, 50 percent of the statutory limit of 5 percent.

The District estimates that $1.070 billion of property tax revenues will be available to pay for capital projects and debt service from 2011 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 per year). Actual property growth experienced over the last five years has been 10.7% (2.0% per year compounded) within the District and 8.4% (1.6% per year compounded) outside the District among non-member communities.

The proposed long-range financing plan includes estimated debt service payments of $1.212 billion from 2011 through 2020 for existing and future District issued general obligation bonds, State of Wisconsin Clean Water Fund Program loans and a State Energy Program loan from the Wisconsin Department of Commerce. The $50 million principal amount of the Obligations to be issued in 2010 are included in the long-range financing plan as applied in 2011 and 2012. District issued debt, including the Obligations, is assumed to be structured as 20-year level debt service at an interest rate of 4.25 percent in 2011 and 5.25% thereafter. The financing plan assumes that 50 percent of non-watercourse project expenditures after 2016 will be financed with Clean Water Fund Programs loans at an interest rate of 3.413 %.

During the 10-year period from 2011 through 2020, in addition to $1.070 billion in property tax revenues, the District expects to receive $330 million in revenue from ten non-member communities, $30 million in interest earnings on its projected available funds, $18 million from grants and state aid, $427 million from Clean Water Fund Program loans and $321 million from District-issued general obligation bonds. The District projects that it will apply $1 million from available funds at the beginning of 2011 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. In addition to proceeds from the Obligations to be received in 2010, the District projects $48 million in available capital funds at the end of 2010.

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT
2011 ADOPTED BUDGET
EXTENDED LONG-RANGE FINANCING PLAN IN $000

	Estimate	Six-Year Capital Improvements Program						Extended Plan				Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011 - 2020
Beginning balance	$82,107	$48,394	$65,356	$51,985	$48,818	$40,134	$32,552	$31,087	$23,806	$31,860	$43,168	$48,394
Add:												
Tax levy	82,458	85,674	90,814	96,263	102,039	108,161	114,651	118,091	118,091	118,091	118,091	1,069,966
Non-member billings	23,228	25,145	26,310	28,019	31,009	33,809	36,154	37,360	37,439	37,483	37,350	330,078
Federal and state aid	1,648	5,642	1,603	1,643	1,629	1,726	1,170	1,182	1,159	1,136	1,114	18,003
Loans	118,992	108,073	72,218	47,438	12,890	8,114	2,271	35,603	40,628	49,219	50,354	426,808
Interest and other	1,321	1,663	3,429	3,172	3,011	2,768	2,672	2,543	2,558	2,938	3,235	27,989
District bonds	0	46,000	15,726	42,397	40,524	15,836	14,668	29,428	27,896	45,403	42,828	320,706
Total Sources	227,647	272,197	210,101	218,932	191,103	170,415	171,587	224,207	227,770	254,269	252,971	2,193,551
Less:												
Water reclamation	43,419	65,707	66,361	42,630	20,727	9,947	3,688	54,423	61,245	72,578	71,210	468,516
Conveyance	60,681	44,234	19,824	12,112	11,232	6,127	6,930	16,784	20,011	25,860	29,498	192,611
Watercourse	48,909	15,301	6,765	21,364	12,990	5,172	925	874	857	881	1,445	66,575
Other projects	21,528	30,341	37,635	30,389	30,605	27,345	26,453	19,729	18,659	18,885	15,235	255,275
Project spending	174,537	155,583	130,585	106,496	75,554	48,591	37,996	91,810	100,772	118,203	117,389	982,978
Existing MMSD debt	23,715	23,631	23,548	41,057	40,829	40,778	40,725	40,682	18,229	18,096	18,133	305,710
Future MMSD debt	0	978	3,873	5,862	9,287	11,960	13,227	14,817	17,188	19,934	23,587	120,714
State loans	63,108	75,043	65,465	68,683	74,117	76,669	81,103	84,180	83,526	86,727	89,987	785,501
Debt service	86,823	99,653	92,887	115,602	124,233	129,407	135,055	139,678	118,944	124,758	131,708	1,211,925
Total Uses	261,360	255,235	223,471	222,099	199,787	177,998	173,051	231,488	219,716	242,961	249,096	$2,194,902
Ending balance	$48,394	$65,356	$51,985	$48,818	$40,134	$32,552	$31,087	$23,806	$31,860	$43,168	$47,042	$47,042
Tax rate	$1.32	$1.44	$1.50	$1.56	$1.62	$1.68	$1.75	$1.77	$1.73	$1.70	$1.66	
% Change in tax levy	0.00%	3.90%	6.00%	6.00%	6.00%	6.00%	6.00%	3.00%	0.00%	0.00%	0.00%	
Annual % cash financing	25%	9%	33%	16%	29%	51%	55%	29%	32%	20%	21%	25%
6-year % cash financing							25%	31%	31%	32%	30%	
Debt Outstanding 12/31	$961,537	$1,046,713	$1,067,502	$1,077,941	$1,046,087	$1,004,546	$923,262	$889,115	$876,148	$884,935	$887,327	
Debt as % of Eq. Value	1.54%	1.65%	1.65%	1.63%	1.55%	1.46%	1.32%	1.24%	1.20%	1.19%	1.17%	

Long-Range Assumptions for the years 2010 through 2020:

$50 million from proceeds of the Obligations reported in years applied (2011 and 2012), but received in 2010.

Change in District and non-member equalized value is -4.63% and -4.22% respectively for 2011, 2% for 2012 and 2% per year thereafter.

$11.9 million of Clean Water Fund Program loan disbursements deferred from 2010 until 2011 to reduce debt service costs.

50% of non-watercourse project expenditures after 2015 financed with CWFP loans at an interest rate of 3.413%.

Investment of available funds at 2% for 2011 and 4% thereafter.

District bond issue structured as 20-year level debt service at 4.25% for 2011 and 5.25% thereafter.

Operations and Maintenance Long-Range Forecast

The O&M forecast projects a 3.6 percent decrease in User Charge Billings in 2011 and an annual increase of 2.5 percent increase during 2012-2016.

Funding	2010 Adopted Budget	2010 Estimate	2011 Proposed Budget	2012	2013	2014	2015	2016
Revenues								
User Charge Billings	$69,183,237	$69,183,237	$66,700,921	$68,368,444	$70,077,655	$71,829,597	$73,625,337	$75,465,970
Milorganite® Sales (Net)	8,110,000	7,750,000	7,750,000	7,765,500	7,781,031	7,796,593	7,812,186	7,890,308
Interest Income	927,570	709,570	600,000	612,000	758,319	758,319	758,319	1,137,478
Other Income	1,014,603	1,014,603	1,204,396	1,216,440	1,450,438	2,022,150	2,055,372	2,096,479
Household Hazardous Waste	1,152,364	1,160,440	1,269,217	1,281,909	1,294,728	1,307,676	1,320,752	1,333,960
Industrial Waste Pretreatment	1,005,200	1,005,200	1,052,276	971,321	990,747	1,010,562	1,030,774	1,051,389
Total Non-UC Income	12,209,737	11,639,813	11,875,889	11,847,170	12,275,263	12,895,300	12,977,403	13,509,614
Total Operating Revenues	*$81,392,974*	*$80,823,050*	*$78,576,810*	*$80,215,615*	*$82,352,918*	*$84,724,897*	*$86,602,739*	*$88,975,584*
Reserves and Surplus								
Equipment Replacement Fund	0	0	1,150,102	1,280,000	0	0	0	0
User Charge Stabilization Fund	1,865,000	1,865,000	(868,976)	1,189,869	1,532,098	1,362,994	1,917,936	1,174,936
Surplus or Deficit Applied	4,249,099	4,249,099	3,390,773	5,000,000	2,278,161	2,138,670	2,265,244	2,319,491
Carryover Funds from previous year	0	2,812,000	0	0	0	0	0	0
Total Reserves and Surplus	*6,114,099*	*8,926,099*	*3,671,899*	*7,469,869*	*3,810,259*	*3,501,664*	*4,183,180*	*3,494,427*
Total Funding	**$87,507,073**	**$89,749,149**	**$82,248,709**	**$87,685,483**	**$86,163,177**	**$88,226,560**	**$90,785,919**	**$92,470,011**
Expenditures								
Divisions								
Office of the Executive Director	3,409,782	3,557,317	3,969,581	4,238,668	4,365,828	4,496,803	4,631,707	4,724,341
Legal Services	2,372,790	2,354,975	2,468,518	1,542,574	1,588,851	1,636,516	1,685,612	1,719,324
Finance	1,631,381	1,636,742	1,655,030	1,704,681	1,755,821	1,808,496	1,862,751	1,900,006
Technical Services	65,251,298	62,807,457	61,888,726	64,983,510	62,313,546	63,255,243	64,626,932	65,644,321
Planning, Research and Sustainability	1,373,580	1,373,650	1,594,579	1,642,417	1,691,689	1,742,440	1,794,713	1,830,607
Water Quality Protection	6,041,936	6,126,008	5,890,800	6,067,524	6,249,550	6,437,036	6,630,147	6,762,750
Agency Services Team	8,585,401	7,773,669	7,156,769	8,123,372	8,367,073	8,618,086	8,876,628	9,054,161
Fringe Benefits	11,360,708	9,839,561	10,492,393	12,697,012	13,331,863	13,998,456	14,698,379	15,139,330
Charges to Capital	(15,478,980)	(15,563,018)	(15,145,848)	(15,452,945)	(15,766,289)	(16,086,007)	(16,407,727)	(16,735,881)
Net Divisional Expenditures	*$84,547,896*	*$79,906,361*	*$79,970,549*	*$85,546,813*	*$83,897,933*	*$85,907,070*	*$88,399,142*	*$90,038,959*
Unallocated Reserve	$2,959,176	$0	$2,278,161	$2,138,670	$2,265,244	$2,319,491	$2,386,777	$2,431,052
Total Expenditures	**$87,507,073**	**$79,906,361**	**$82,248,709**	**$87,685,483**	**$86,163,177**	**$88,226,560**	**$90,785,919**	**$92,470,011**
User Charge Billings Increase	*2.0%*	*2.0%*	*-3.6%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*

Assumptions

- Other income increases by $700,000 in 2014 to anticipate increased Material Capital Repair and Replacement needs and contributions by operator.
- Use of reserves complies with District policies.
- Divisional expenditures increase 3.0% annually to reflect average historical increases for procured goods and services and annual salary/wage adjustments.
- Unallocated Reserve amounts are consistent with District policy.

Historical Sewer User Charges

Municipalities Within the District

	2009	2008	2007	2006	2005
City of Cudahy	$1,855,515	$1,648,318	$1,164,578	$1,095,397	$1,006,096
City of Franklin	1,800,766	1,634,272	1,298,726	1,208,857	1,121,795
City of Glendale	875,951	813,768	632,667	606,614	578,069
City of Greenfield	1,872,833	1,710,028	1,389,123	1,326,295	1,289,413
City of Milwaukee	40,763,430	36,321,630	28,697,714	28,197,896	28,163,570
City of Oak Creek	1,905,558	1,729,957	1,372,215	1,312,991	1,230,830
City of St. Francis	365,919	355,315	348,830	338,693	292,053
City of Wauwatosa	2,924,523	2,727,814	2,128,407	2,090,334	2,042,760
City of West Allis	3,443,449	3,166,204	2,579,476	2,510,275	2,303,374
Village of Bayside	216,064	201,819	162,826	162,669	152,333
Village of Brown Deer	679,053	639,618	502,707	501,852	480,821
Village of Fox Point	346,871	323,564	252,475	252,911	231,548
Village of Greendale	705,538	628,698	511,200	496,549	475,113
Village of Hales Corners	413,923	383,953	310,346	300,626	279,688
Village of River Hills	83,757	77,198	61,807	61,787	54,405
Village of Shorewood	658,519	581,999	463,811	445,837	448,364
Village of West Milwaukee	1,062,403	1,074,960	830,606	673,454	637,664
Village of Whitefish Bay	449,142	742,922	429,466	483,864	430,421
TOTAL	$60,423,213	$54,762,037	$43,136,980	$42,066,901	$41,218,317

Historical Sewer User Charges

Municipalities Outside the District

	2009	2008	2007	2006	2005
City of Brookfield	$903,262	$838,566	$664,314	$662,935	$620,430
City of Mequon	1,018,547	940,919	742,754	727,680	669,352
City of Muskego	969,988	890,734	690,680	678,645	664,525
City of New Berlin	1,717,723	1,604,871	1,259,612	1,249,252	1,159,745
City of South Milwaukee (1)	26,594	25,121	26,673	25,927	19,143
Village of Butler	183,573	163,199	130,138	124,323	115,547
Village of Caledonia	25,597	24,837	18,795	18,986	21,656
Village of Elm Grove	300,991	277,573	220,216	215,078	199,986
Village of Germantown	1,046,395	1,196,558	988,965	911,293	851,513
Village of Menomonee Falls	1,670,983	1,546,221	1,227,280	1,198,371	1,135,288
Village of Thiensville	172,849	159,329	125,486	125,536	103,871
TOTAL	$8,036,502	$7,667,928	$6,094,913	$5,938,026	$5,561,056

(1) Household Hazardous Waste Program charges only.

Ten Largest Sewer Users

Customer		Type of Business	2009 Sewer Revenue Amount	2009 %	2000 Sewer Revenue Amount	2000 %
MillerCoors		Brewery	$ 3,098,006	4.5%	$ 2,083,096	4.7%
D.R. Diedrich & Co.		Leather tanning and finishing	1,082,180	1.6%	-	-
Patrick Cudahy		Process meat products	730,406	1.1%	279,127	0.6%
Malteurop North America		Malt manufacturing	624,686	0.9%		-
Milwaukee Water Works		Water utility	527,825	0.8%	511,243	1.1%
Cargil Meat Solutions		Meat packing plants	452,951	0.7%	328,187	0.7%
Wisconsin Paperboard		Paperboard mill	344,330	0.5%		
Milwaukee County DHHS		Health services	334,900	0.5%	217,946	0.5%
Campbell Soup Supply Company		Food preparation	327,955	0.5%	294,619	0.7%
Clement J. Zablocki VA Medical Center		Health services	263,836	0.4%	-	-
MC Zoological Gardens		Zoo			150,329	0.3%
Chris Hansen/Maple		Food preparation	-	-	152,077	0.3%
Froedert Malting Corporation	a	Malt manufacturing	-	-	474,250	1.1%
LeSaffre Yeast Corp.	b	Food preparation	-	-	1,136,987	2.6%
Subtotal (10 largest)			$ 7,787,075	11.4%	$ 5,627,861	12.6%
Balance from other customers			60,672,640	88.6%	38,875,059	87.4%
Grand Totals			$ 68,459,715	100.0%	$ 44,502,920	100.0%

a Consolidated to Malteurop North America
b Moved out of state

Sewer User Rate Charges

Year	Flow (Dollars Per 1,000 Gallons)	Biochemical Oxygen Demand (BOD) (Dollars Per Pound)	Total Suspended Solids (TSS) (Dollars Per Pound)	Connection Charge (Dollars Per Year)	Volumetric (Dollars Per 1,000 Gallons)	Average Household (Dollars Per Year)
2010	$0.82846	$0.12689	$0.14968	$23.49	$1.618383	$118.26
2009	0.80385	0.13323	0.13372	20.51	1.560910	113.65
2008	0.6755	0.1121	0.1272	22.90	1.358054	105.18
2007	0.4803	0.0890	0.0983	21.11	1.013833	83.36
2006	0.4236	0.0868	0.0975	23.99	0.948940	83.84
2005	0.4272	0.0745	0.0904	20.58	0.898694	78.36

Volumetric rate computed for domestic strength sewerage using the equivalencies of 310 mg/1 BOD equals 2.585 pounds per thousand gallons and 370 mg/1 TSS equals 3.086 pounds per thousand gallons. This rate is applicable to the entire residential class and non-certified commercial users located within the District's boundaries.

TAX LEVIES

Levy Year	Tax Levies	Tax Rate Per $1,000 Equalized Valuation
2010	$85,674,000	$1.44
2009	82,458,000	1.32
2008	82,458,000	1.29
2007	80,841,000	1.28
2006	78,486,000	1.30

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 have a 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”):

Year	Equalized Valuation (TID-IN)	Equalized Valuation (TID-OUT)
2010	$61,995,778,776	$59,383,339,276
2009	65,340,474,863	62,267,788,363
2008	66,735,584,066	63,866,836,566
2007	65,642,217,041	63,086,040,141
2006	62,260,061,536	60,345,510,236

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

	2009	2008	2007	2006	2005	2004
Village of Bayside	4,170	4,172	4,181	4,207	4,263	4,522
Village of Brown Deer	11,720	11,705	11,715	11,750	11,831	11,845
Village of Fox Point	6,803	6,818	6,821	6,808	6,890	6,886
Village of Greendale	13,850	13,965	14,025	14,040	14,087	14,128
Village of Hales Corners	7,646	7,646	7,640	7,642	7,644	7,682
Village of River Hills	1,634	1,641	1,621	1,625	1,626	1,625
Village of Shorewood	13,360	13,425	13,440	13,470	13,495	13,535
Village of West Milwaukee	4,029	4,047	4,034	4,052	4,092	4,142
Village of Whitefish Bay	13,820	13,875	13,830	13,885	13,914	13,979
City of Cudahy	18,650	18,620	18,530	18,430	18,319	18,315
City of Franklin (1)	33,700	33,550	33,380	33,000	32,548	31,804
City of Glendale	12,980	12,990	12,970	12,935	13,001	13,024
City of Greenfield	36,300	36,270	36,140	36,150	36,136	36,059
City of Milwaukee	584,000	590,870	590,190	590,370	592,765	593,920
City of Oak Creek	32,600	32,470	32,410	32,104	31,497	31,029
City of St. Francis	8,936	8,952	8,877	8,808	8,791	8,728
City of Wauwatosa	45,800	45,880	45,930	46,120	46,312	46,511
City of West Allis	60,600	60,360	60,410	60,300	60,515	60,607
T OTAL	910,698	917,296	916,144	915,696	917,726	918,341
Total Population Served by the District (2)	1,054,725	1,061,180	1,059,502	1,057,992	1,059,096	1,058,595

(1) *Total population is reported for Franklin. Portions of this municipalities lie outside the District.*

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

Source: Wisconsin Department of Administration, Demographic Services Center and District Cost Recovery Procedures Manual.

Per Return Adjusted Gross Income

	State of Wisconsin	Milwaukee County
2009	$45,372	$41,704
2008	47,046	43,557
2007	48,985	43,390
2006	48,107	42,296
2005	45,357	40,244

Source: Wisconsin Department of Administration, Division of Research and Analysis.

Unemployment Rates

	United States	State of Wisconsin	Milwaukee County
September, 2010	9.6%	7.0%	8.7%
September, 2009	9.8	8.0	9.4
Average, 2009	9.3%	8.5%	9.3%
Average, 2008	5.8	4.7	5.5
Average, 2007	4.6	4.9	5.9
Average, 2006	4.6	4.7	5.7
Average, 2005	5.1	4.7	5.9

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

Largest Employers in the Milwaukee Metropolitan Area

Name	Type of Business	Employees
Aurora Health Care (1)	Health Care	25,937
U.S. Government (2)	Government	11,100
Milwaukee Public Schools	Education	10,690
Wheaton Franciscan Healthcare	Health Care	9,020
Roundy's Supermarkets Inc.	Grocery Store Chain	8,480
City of Milwaukee	Government	7,307
Quad Graphics Inc.	Commercial Printing	7,000
Kohl's Corp.	Retail	6,900
GE Healthcare	Medical Imaging	6,462*
Wal-Mart Stores	Retail	6,229
Milwaukee County	Government	5,568
Northwestern Mutual Life Insurance	Insurance	5,000
ProHealthcare Inc.	Health Care	4,936
WE Energies	Electric/Natural Gas Utility	4,700
Medical College of Wisconsin	Medical School/Academic/Health Care	4,700
Manpower Inc.	Workforce Management Services	4,500
Froedert Memorial Hospital	Health Care	4,365
Columbia St. Mary's	Health Care	4,339
M&I Marshall & Ilsley Bank	Banking/Finance and Data Services	4,314
AT&T Wisconsin	Telecommunications	4,300*
Harley-Davidson, Inc.	Motorcycle Manufacturing	3,742*
Target Corporation	Retail	3,318
Rockwell Automation	Electrical/Electronic Manufacturing	3,258
Walgreen Co.	Retail Drugstore	3,240

(1) Aurora's employee number includes, four hospitals, rehabilitation, homecare and hospice facilities and their corporate office within the greater Milwaukee area.
(2) Includes the Clement Zablocki Medical Center.

** This company has announced layoffs or staff reductions, which is not reflected in the figure provided.*

Source: The 2010 Business Journal's Book of Lists, Wisconsin Department of Workforce Development Business (Plant) Closing and Mass Layoff report.

Ten Largest Taxpayers

Name of Business		Type of Business	2009 Equalized Valuation	2009 Percentage of Total Equalized Valuation	2000 Equalized Valuation	2000 Percentage of Total Equalized Valuation
Northwestern Mutual Life Insurance Co.		Insurance	$ 348,466,357	0.55%	$ 172,248,984	0.46%
Bayshore Town Center LLC		Shopping mall	345,364,935	0.54%		
Mayfair Property Inc.		Shopping mall	290,292,537	0.46%	166,277,589	0.44%
US Bank Corp.		Banking	272,626,855	0.43%		
Metropolitan Associates		Real estate	143,606,728	0.23%	92,841,058	0.25%
BRE Southridge Mall LLC		Real estate	138,388,621	0.22%		
Marcus Corporation/Milw. City Center/Pfister		Hotels, theaters & restaurants	132,329,512	0.21%	90,835,232	0.24%
Wheaton Franciscan Services		Health care	115,588,537	0.18%		
Columbia St. Mary's		Health care	112,188,168	0.18%		
Harley-Davidson		Manufacturer of motorcycles	111,801,600	0.18%	95,967,000	0.26%
M&I Marshall & Ilsley Bank		Banking			90,204,033	0.24%
Towne Realty	a	Real estate			97,061,323	0.26%
JMB Realty Company	b	Real estate			145,042,297	0.39%
First Security Bank	c	Banking			195,235,094	0.52%
Teachers Insurance and Annuity	a	Insurance			178,007,103	0.48%
Total for Ten Largest			$2,010,653,850	3.16%	$ 1,323,719,713	3.53%
a Divested Holdings						
b Divested into the BRE Southridge Building						
c Now US Bank Corp						

Source: Milwaukee Metropolitan Sewerage District.

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 has been calculated using an average effective rate of 3.11 percent (net of subsidy). The average life of the Bonds is 10.974 years and the bond years are 548,676.11. The District intends to apply for the 35% direct payment interest credit from the United States Treasury.

	Existing Bonds		Clean Water Fund Program Loans As of November 24, 2010 (2)		Series 2010L Obligations		Direct Payment Interest	Combined Debt Service
Year	Principal	Interest	Principal	Interest	Principal	Interest	Credits (3)	Requirements
2011	$10,180,000	$13,451,256	$53,355,323	$16,127,961	$2,375,000	$1,595,948	($558,582)	$96,526,906
2012	10,585,000	12,963,194	41,682,544	14,856,618	2,115,000	2,046,508	(716,278)	83,532,586
2013	28,585,000	12,472,269	42,781,149	13,743,301	2,130,000	2,016,898	(705,914)	101,022,702
2014	29,680,000	11,148,694	43,596,308	12,604,073	2,150,000	1,974,298	(691,004)	100,462,368
2015	31,095,000	9,683,194	43,671,386	11,451,656	2,170,000	1,914,098	(669,934)	99,315,399
2016	32,645,000	8,079,956	44,062,533	10,291,285	2,195,000	1,846,828	(646,390)	98,474,212
2017	34,205,000	6,477,031	43,521,197	9,135,542	2,230,000	1,770,003	(619,501)	96,719,272
2018	13,455,000	4,774,169	43,740,937	7,988,029	2,270,000	1,686,378	(590,232)	73,324,280
2019	14,005,000	4,091,319	44,435,174	6,828,783	2,310,000	1,591,038	(556,863)	72,704,450
2020	14,735,000	3,398,494	44,614,286	5,660,010	2,365,000	1,494,018	(522,906)	71,743,901
2021	15,510,000	2,665,013	42,414,862	4,531,962	2,420,000	1,392,323	(487,313)	68,446,846
2022	8,870,000	1,860,100	29,638,531	3,624,576	2,485,000	1,283,423	(449,198)	47,312,432
2023	4,130,000	1,404,250	28,852,396	2,908,818	2,555,000	1,171,598	(410,059)	40,612,002
2024	4,335,000	1,197,750	28,629,919	2,209,707	2,620,000	1,054,068	(368,924)	39,677,520
2025	4,550,000	981,000	27,057,590	1,534,477	2,700,000	929,618	(325,366)	37,427,318
2026	4,780,000	753,500	22,736,076	930,422	2,785,000	797,318	(279,061)	32,503,254
2027	5,020,000	514,500	15,673,738	463,260	2,875,000	655,283	(229,349)	24,972,432
2028	5,270,000	263,500	9,677,807	155,238	2,975,000	504,345	(176,521)	18,669,369
2029	—	—	1,073,787	25,103	3,080,000	345,183	(120,814)	4,403,258
2030	—	—	525,204	5,904	3,195,000	177,323	(62,063)	3,841,367
TOTAL	$271,635,000	$96,179,188	$651,740,746	$125,076,725	$50,000,000	26,246,488	($9,186,271)	$1,211,691,876

(1) Upon the issuance of the Obligations, the total outstanding amount of general obligation debt will be $983,785,024, consisting of $321,635,000 principal amount of District general obligation bonds, and $662,150,024 principal amount of general obligation promissory notes under the State of Wisconsin Clean Water Fund loan program. The District received a disbursement of $10,409,279 in additional Clean Water Fund Loans on December 8, 2010. This figure is not included in the table above.

(2) The District has outstanding loan commitments of $168,701,208 as of -November 24, 2010 from the Clean Water Fund Program. These commitments will be utilized for future construction of wastewater treatment facilities.

(3) Assumed direct payment interest credit from the United States Treasury in connection with the Series 2008-09L Notes (Build America Bonds-Direct Payment). Receipt of the credits is expected but not assured.

Overlapping Indebtedness

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

Name of Entity	Amount of Debt (Less 2010 Principal Amounts)	Percent Chargeable to District	Outstanding Debt Chargeable to District
Milwaukee Area Technical College District	$101,275,000	80.20%	$81,222,550
Milwaukee County	702,635,360	97.71	686,545,010
Ozaukee County	17,635,000	0.23	40,561
Washington County	28,045,000	0.01	2,805
Waukesha County	73,930,000	0.04	29,572
Village of Bayside	10,218,045	100.00	10,218,045
Village of Brown Deer	22,642,506	100.00	22,642,506
Village of Fox Point	12,635,000	100.00	12,635,000
Village of Greendale	2,150,000	100.00	2,150,000
Village of Hales Corners	8,301,748	100.00	8,301,748
Village of River Hills	925,000	100.00	925,000
Village of Shorewood	23,159,176	100.00	23,159,176
Village of West Milwaukee	6,938,019	100.00	6,938,019
Village of Whitefish Bay	33,521,486	100.00	33,521,486
City of Cudahy	28,141,682	100.00	28,141,682
City of Franklin	39,890,000	96.55	38,513,795
City of Glendale	39,932,689	100.00	39,932,689
City of Greenfield	29,183,852	100.00	29,183,852
City of Milwaukee	932,360,000	100.00	932,360,000
City of Oak Creek	16,048,302	100.00	16,048,302
City of Saint Francis	0	100.00	0
City of Wauwatosa	30,567,611	100.00	30,567,611
City of West Allis	80,243,899	100.00	80,243,899
Total School Districts	220,512,316	Varies	217,463,354
TOTAL	$2,460,891,691		$2,300,786,661

Statistical Summary

The table below reflects direct, overlapping and underlying bonded indebtedness net of all 2010 principal payments.

2010 Equalized Valuation	$61,995,778,776
Direct Bonded Indebtedness Including This Issue	$983,785,024
Direct, Overlapping and Underlying Bonded Indebtedness Including This Issue	$3,284,571,685
Direct Bonded Indebtedness as a Percentage of Equalized Valuation	1.59%
Direct, Overlapping and Underlying Bonded Indebtedness as a Percentage of Equalized Valuation	5.30%
Population of District (2009 Estimate)	910,698
Direct Bonded Indebtedness Per Capita	$1,068.82
Direct, Overlapping and Underlying Bonded Indebtedness Per Capita	$3,606.65

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, net of 2010 principal payments as a percentage of the applicable debt limit.

Equalized Valuation (2010) as certified by Wisconsin Department of Revenue	$61,995,778,776
Legal Debt Percentage Allowed	5.00%
Legal Debt Limit	$3,099,788,939
General Obligation Debt Outstanding	$983,785,024
Unused Margin of Indebtedness	$2,116,003,915
Percent of Legal Debt Incurred	31.74%
Percentage of Legal Debt Available	68.26%

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, 2009, which has been examined by Baker Tilly Virchow, Krause & Company, LLP, Independent Auditors, Madison, Wisconsin. 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.

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 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 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”, “Aaa” and “AA+” from Fitch Ratings, Moody’s Investors Service, Inc. and Standard & Poor's Corporation, 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. 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.

TAX STATUS

In the opinion of Bond Counsel, under existing law, interest on the Obligations will be includible in gross income for federal income tax purposes.

Any discussion of United States federal tax issues included in this Official Statement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding federal tax penalties that may be imposed on the taxpayer. Such discussions were written in connection with the promotion or marketing of any Obligations. Each taxpayer should seek advice from an independent tax advisor based on the taxpayer’s particular circumstances.

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of Obligations by certain persons. This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of Obligations and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a Obligation at its issue price, which is the first price at which a substantial amount of the Obligations of that maturity is sold to the public, and who hold the Obligation as a “capital asset” within the meaning of Section 1221 of the Code. This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Obligations as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising an

Obligation and one or more other investments, or United States Owners that have a "functional currency" other than the United States dollar ("Special Taxpayers"). This summary is applicable only to a person (a "United States Owner") who or which is the beneficial owner of Obligations and is (a) an individual citizen or resident of the United States, (b) a corporation created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based upon the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or the interpretations, any of which may be applied retroactively. It does not discuss the tax laws of any state, local, or foreign government.

Payments of Stated Interest

In general, interest on an Obligation will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner's method of accounting for tax purposes.

Obligations Purchased at a Premium

Under the Code, a United States Owner that purchases an Obligation for an amount in excess of its stated redemption price at maturity may elect to treat such excess as "amortizable bond premium," in which case the amount of interest required to be included in the United States Owner's income each year with respect to interest on the Obligation will be reduced by the amount of amortizable bond premium allocable (based on the Obligation's yield to maturity) to that year. If such an election is made, the amount of each such reduction in interest income will result in a corresponding reduction in the United States Owner's tax basis in the Obligation. Any election to amortize bond premium is applicable to all taxable debt instruments held by the United States Owner at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Owner and may not be revoked without the consent of the IRS.

Information Reporting and Back-up Witholding

In general, information reporting requirements will apply with respect to payments to an owner of principal and interest (and with respect to annual accruals of original issue discount "OID") on the Obligations, and with respect to payments to an owner of any proceeds from a disposition of the Obligations. This information reporting obligation, however, does not apply with respect to certain owners including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that an owner subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the Internal Revenue Service that it has failed to properly report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the owner on or with respect to the Obligations.

Any amounts withheld under the backup withholding provisions may be credited against the United States federal income tax liability of the beneficial owner, and may entitle the beneficial owner to a refund, provided that the required information is furnished to the Internal Revenue Service.

Disclaimer

The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their own tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of Obligations, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

State Tax Considerations

In addition to the federal income tax consequences described above, potential investors should consider the state income tax consequences of the acquisition, ownership, and disposition of Obligations. State income tax law may differ substantially from the corresponding federal law, and the foregoing is not intended to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to the various state tax consequences of an investment in Obligations.

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 Bond certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities

Clearing Corporation, Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its 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 Bond ("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 book-entry 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.

Redemption notices shall be sent to DTC. If less than all of the securities 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 District or 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 nor its nominee, Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Obligations to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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 District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond 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 District believes to be reliable, but District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT, THE FISCAL AGENT NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO 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 the Rule 15c2-12 promulgated by the Commission pursuant to the Securities Exchange Act of 1934 (the "Rule") with respect to the Obligations, the District shall agree, pursuant to the Award Resolution, to enter into an agreement for the benefit of the owners of the Obligations, including beneficial owners of the Obligations, to provide to the Municipal Securities Rulemaking Board (the "MSRB") certain financial information and operating data relating to the District annually and to provide notices of the occurrence of certain events set forth in the Rule. The details and terms of the agreement as well as information to be contained in the annual financial information and the notices of material events are set forth in the Continuing Disclosure Agreement, dated as of the date of issuance for the Obligations (the "Agreement"), to be executed by the District and delivered at the closing for the Obligations. Such Agreement will be in substantially the form attached hereto as Appendix C. The District has never failed to comply in all material respects with any previous agreements under the Rule to provide annual financial information or notices of material events. A failure by the District to comply with the Agreement will not constitute an event of default on the Obligations. (although owners of the Obligations will have any available remedy at law to compel performance). Nevertheless, such a failure must be reported in accordance with the 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 transferability and liquidity of the Obligations and their market price.

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 requires the District to expend an estimated $900 million through 2010 on upgrades to the District's collection system. The upgrades to the system are planned or 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. The matter was tried by a jury, and Circuit Court ordered damages of $100,000. The plaintiffs obtained an injunction, which is presently stayed, which would require the District to expend $10 million to line a portion of the District's tunnel system. Both parties have appealed. The District believes it will prevail in this litigation.

E-L Enterprises Property Damages

E-L Enterprises Inc. v. MMSD and Continental Casualty Company, Case No. 04-CV-005505, Milwaukee County Circuit Court. A suit was filed for alleged damage to building foundation because of a District construction project. The Wisconsin Supreme Court reversed a court of appeals affirmance of the trial court's judgment against the District. The plaintiff has petitioned the Supreme Court of the United States for further review. The District believes it will prevail in this litigation.

Cianciola LLP

Cianciola LLP v. MMSD, Case No. 07-CV-006391, Milwaukee County Circuit Court. A property owner filed suit seeking additional monetary damages for building damage allegedly resulting from construction of the District's KK/LM Inline Storage Sewer. The District previously settled a claim at the same building. The case was tried in 2009, resulting in a $1.083 million verdict against the District. An appeal has been taken, and the matter is under consideration by the court of appeals. The District believes it will prevail in this litigation

Gold

Gold v. MMSD, Case No. 08-CV-013678, Milwaukee County Circuit Court. The plaintiff asserts the District damaged its building during construction of a river siphon. The matter is still in discovery. The District expects to prevail in this litigation.

Veolia Water North America LLC

Banicki, et al. v. Veolia Water North America-Central LLC, et al, Case No. 09-CV-001860, Milwaukee County Circuit Court*, Reep V. City of Milwaukee, et al.* Case No. 09-CV-003483, Milwaukee County Circuit Court, *FM Global V. Veolia Water North America-Central LLC, et al.,* Case No. 09-CV-007594, Milwaukee County Circuit Court. Following a large, intense rainstorm between June 6 and 9, 2008, these suits were filed alleging negligent operation and maintenance of the District's sewerage system. All three cases are in discovery at present. The District estimates the claimed damages at between $15-$30 million. The District believes that it does not have liability for these claims.

Claims Arising From the June 18-19, 2009 Storm Event

The District has received approximately 40 Notices of Claim filed on behalf of the owners of homes and other buildings who allege that they experienced the backup of sewer water into their properties during a large, intense rainstorm that struck the Milwaukee metropolitan area between June 18 and 19, 2009. The claims assert negligent operation and maintenance of the District's sewer system. The District believes that it does not have liability for these claims. To date, damages have not been itemized for all of the claims.

MISCELLANEOUS

Any statement 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.

Bond Counsel has not participated in the preparation of this Official Statement and will not pass on its accuracy, completeness or fairness other than the information set forth under the caption "Tax Status." Bond Counsel has not examined or attempted to examine or verify 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 by its Executive Director has been duly authorized by the District.

In accordance with the Rule, the Preliminary Official Statement is deemed final except for the omission of certain information described in the Rule.

AUTHORIZATION

This Official Statement has been approved for distribution to prospective purchasers and 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 Underwriter that, to the best of its knowledge, information, and belief, the Official Statement with respect to the Obligations, together with any supplements thereto, at the time of the adoption of the Award Resolution and at the time of delivery of the Obligations, was true and correct in all material respects and did not at any time 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/ Dale J. Richards
Chairperson

/s/ Marjorie Stahl
Secretary

APPENDIX A

FINANCIAL STATEMENTS

AND AUDITOR'S OPINION

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

For year ended December 31, 2009

Virchow, Krause & Company,
Independent Auditors
Madison, Wisconsin

The District did not ask the auditors to perform any review in connection with this Official Statement.

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BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

Policy, Finance, and Personnel Committee
Milwaukee Metropolitan Sewerage District

We have audited the accompanying statements of net assets of Milwaukee Metropolitan Sewerage District as of December 31, 2009 and 2008, and related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended as listed in the table of contents. These financial statements are the responsibility of the Milwaukee Metropolitan Sewerage District's management. 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 of material misstatement. An audit includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Schedule of Funding Progress information enclosed in this report is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements of the Milwaukee Metropolitan Sewerage District. The accompanying introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements of the Milwaukee Metropolitan Sewerage District. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated June 11, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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, and should be read in conjunction with this report in assessing the results of our audits.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
June 11, 2010

BAKER TILLY
INTERNATIONAL

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, 2009 and December 31, 2008. 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 assets of $2.5 billion increased by $28.2 million or 1.1% over the course of this year's operation.

- The District has a surplus balance of $20.7 million for its unrestricted net assets. This represents a decrease of $6.1 million from the balance of $26.8 million at December 31, 2008.

- As of January 1, 2007 the District was required to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. In accordance with GASB Statement 45, at December 31, 2009, the District has recorded a liability of $17.5 million related to these benefits, of which $4.1 million is the current year portion. At December 31, 2009, the actuarial accrued liability of $142.7 million is being amortized as a level dollar amount, with a remaining amortization period of 27 years. See footnote 11 to the financial statements for further details.

- During 2009, the District received $43.8 million in loan proceeds from the State of Wisconsin Clean Water Fund Loan Program. The issuance of this new debt, along with other general obligation debt, brings the District's outstanding debt at December 31, 2009 to $892.7 million. This is a decrease of $14 million over the balance at December 31, 2008. In spite of the reduction in outstanding debt, the District's debt limit rate increased from 1.36% to 1.37% as compared to the statutory limit rate of 5%. The increase in the debt limit rate is due to a decrease in equalized values.

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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. 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 Assets. 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 Assets

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

See accompanying independent auditors' report.

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

	2009	2008	2007	Percentage Increase (Decrease) 2009 versus 2008
Current and Other Assets	$260,433	$343,247	$256,810	(24.1)%
Capital Assets	3,348,204	3,235,712	3,152,683	3.5
Total Assets	3,608,637	3,578,959	3,409,493	0.8
Current Liabilities	211,460	198,662	192,869	6.4
Noncurrent Liabilities	865,374	876,742	735,034	(1.3)
Total Liabilities	1,076,834	1,075,404	927,903	(0.1)
Invested in Capital Assets, Net of Related Debt	2,436,462	2,343,490	2,363,207	4.0
-Restricted	74,615	133,252	84,956	(44.0)
-Unrestricted	20,726	26,813	33,427	(22.7)
Total Net Assets	$2,531,803	$2,503,555	$2,481,590	1.1

As can be seen in Table A-1 above, the largest portion of the District's net assets (96.2% at December 31, 2009) 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 and other assets decreased $82.8 million or 24.1% from 2008 to 2009. The primary reason for this decrease is that all of the proceeds from $70 million of general obligation bonds, issued in 2008, had been used to assist in the financing of the District's capital improvements program. The 2008 bond issue is also the reason that current and other assets, along with restricted assets, increased from 2007 to 2008. The disbursement of the remaining 2008 bond proceeds during 2009 is the primary reason for the decrease of 44.0% in restricted assets in 2009. Net assets classified as restricted (2.9% in 2009 and 5.3% in 2008) are resources that are subject to external restrictions on how they may be used. In addition to the reduction of bond proceeds on hand, because of the low interest rates for investments during 2009, the District delayed requesting loan funds from the State of Wisconsin Clean Water Fund program, to avoid paying interest costs ranging from 2.365% to 2.849%. Although this action reduced working capital on hand, the District avoided $877,000 in interest costs on these loans.

As can be seen from Table A-1, net assets increased by $28.2 million in 2009 after increasing by $22 million in 2008. This increase is directly related to the District's implementation of its six-year capital improvements program plan.

As noted previously under "Financial Highlights", as of January 1, 2007 the District was required to implement GASB Statement No. 45, Accounting and Financial reporting by Employers for Postemployment Benefits Other Than Pensions. 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 $13.4 million at December 31, 2009 and the unfunded actuarial accrued liability of $142.7 million is being amortized as a level dollar amount, with a remaining amortization period of 27 years. The amortization of the unfunded actuarial accrued liability is the primary reason for the annual decrease in unrestricted net assets.

See accompanying independent auditors' report.

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

	2009	2008	2007	Percentage Increase (Decrease) 2009 Versus 2008
Operating Revenues:				
User Charges	$68,460	$62,430	$49,232	9.7%
Fertilizer	7,957	7,272	4,301	9.4
Other	441	887	224	(50.3)
Total Operating Revenues	76,858	70,589	53,757	8.9
Nonoperating Revenues:				
Property Taxes	$82,332	$80,729	$78,359	2.0%
Capital Charges - Communities Outside the District	22,757	23,642	21,561	(3.7)
Other	8,941	6,859	9,996	30.4
Total Nonoperating Revenues	114,030	111,230	109,916	2.5
Total Revenues	190,888	181,819	163,673	5.0
Operating Expenses:				
Systems - Operation and Maintenance	58,055	55,267	43,627	5.0
Laboratory and Research Services	2,339	2,463	2,375	(5.0)
Industrial Waste and Conveyance Monitoring	3,774	3,745	3,818	0.8
Finance, Engineering and Administration	19,610	18,298	17,418	7.2
Depreciation	69,131	68,251	66,876	1.3
Total Operating Expenses	152,909	148,024	134,114	3.3
Nonoperating Expense	11,725	12,430	15,195	(5.7)
Land Contributed to Municipalities	0	0	1,506	0.0
Total Nonoperating Expenses	11,725	12,430	16,701	(5.7)
Total Expenses	164,634	160,454	150,815	2.6
Income (Loss) Before Capital Contributions	26,254	21,365	12,858	22.9
Capital Contributions	1,994	600	455	232.3
Changes in Net Assets	28,248	21,965	13,313	
Beginning Net Assets, as restated	2,503,555	2,481,590	2,468,277	
Ending Net Assets	$2,531,803	$2,503,555	$2,481,590	

While the Summary of Net Assets (Table A-1) shows the change in our financial position the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, for the fiscal year ended 2009, total revenues increased, $9.1 million or 5.0% and expenses increased by $4.2 million or 2.6%. The major factors, which drove these results, include:

- Total user charges increased 9.7% from 2008, consistent with a budgeted increase of 11.8% for sewer user charge billings.

- The District's Milorganite revenue increased $0.7 million or 9.4% in 2009 after Milorganite revenue increased 69.1% or $3.0 million in 2008. In the summer of 2007, wasteloads contaminated with Poly Chlorinated Biphenyl (PCB) had a significant financial impact on this revenue. The inability to produce Milorganite for four months due to contaminated wasteloads, depleted the District's Milorganite inventory and prevented the District from reaching its 2007 Milorganite sales target. In November of 2007 the District was again able to produce saleable Milorganite. In addition, the District has implemented new operational procedures to prevent future contamination and additional product testing to ensure quality. As can been seen from the 2009 and 2008 results, the District's Milorganite revenue has achieved a full recovery from the 2007 contamination issue.

- Excluding depreciation, operating expenses in 2009 increased $4.0 million or 5.0%, primarily the result of the increased operational costs from the District awarding a 10-year contract effective March 1, 2008 with Veolia Water Milwaukee, LLC (Veolia) replacing United Water Services (UWS). 2009 represents the first full year of operations under the new contract. Under the terms of the prior contract, UWS was responsible for 100% of the energy costs and favorable contract terms limited the annual fee increase, resulted in a significant portion of rising energy costs over the last ten years being absorbed by UWS. The 2009 and 2008 (10 months) operating expenses reflect the change in contract terms whereby the District is liable for 75% of actual energy costs and Veolia is responsible for the remainder. This increases the District's operating expenses and exposes it to volatility in energy prices.

- In 2009 the District accrued $1.1 million for an employer contribution to the City of Milwaukee's Employee Retirement System (ERS) in which the District participates. In prior years, the District's contribution was solely the employees' contribution to the fund, which is 5.5% of an employee's annual salary. This employer contribution is the result of the decline of the financial markets in 2008, causing the funding ration for ERS to fall below 100%.

See accompanying independent auditors' report.

- Nonoperating revenues increased $2.8 million or 2.5%. Property taxes from member communities increased 2.0% from 2008.

- The decrease in nonoperating expenses in 2009 reflects the increase of $3.0 million in the capitalization of interest expense over 2008. In addition 2007 includes $1.5 million in "Land contributed to municipalities". The District's Greenseams Program is a non-structural 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. In 2009 and 2008 there was no land contributed to municipalities.

For the fiscal year ended 2008 total revenues increased, $18.1 million or 11.1% and expenses increased by $9.6 million or 6.4%. The major factors, which drove these results, include:

- Total user charges increased 26.8% from 2007, consistent with a budgeted increase of 28.9% for sewer user charge billings.
- The District's Milorganite revenue increased 69.1% or $3.0 million in 2008. As mentioned above, in the summer of 2007, wasteloads contaminated with Poly Chlorinated Biphenyl (PCB) had a significant impact on this decrease in revenue.
- Excluding depreciation, operating expenses increased $12.5 million or 18.6%, as mentioned above, the primary reason for the increase is the result of the increased operational costs from the District awarding a 10-year contract effective March 1, 2008 with Veolia Water Milwaukee, LLC (Veolia) replacing United Water Services (UWS).
- Nonoperating revenues increased $1.3 million or 1.2%. Property taxes from member communities increased 3.0% from 2007.
- The decrease in nonoperating expenses in 2008 reflects the increase of $2.2 million in the capitalization of interest expense over 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2009, the District's investment in capital assets amounted to $3.3 billion (net of accumulated depreciation) as shown in Table A-3 below. The $112.5 million increase in capital assets for 2009 was largely due to conveyance facility expenditures for an additional 27 million gallons of storage capacity in the Inline Storage System ("deep tunnel"), various projects to increase the hydraulic capacity of central metropolitan interceptor sewers to convey wet-weather flows to the Harbor Siphons, and watercourse expenditures for construction of a floodwater basin on the Milwaukee County Grounds.

During 2010, the District expects to incur capital expenditures to complete projects in its 2010 Facilities Plan and Central Metropolitan Interceptor Sewer Project. Work will continue on projects to rehabilitate, upgrade or replace assets at its two water reclamation facilities as well as continued construction of the floodwater basin. Construction is expected to begin on a 19-mile pipeline to convey methane gas from a landfill in Muskego to the Jones Island WRF. The District's current six-year capital expenditure forecast projects $559 million in project expenditures over the six-year period from 2010 through 2015. Expenditure levels are expected to decline from the 2010 level of $183 million as expenditures for the District's capital improvement program shift from conveyance to water reclamation facility needs.

The $148.7 million increase in capital assets for 2008 was primarily the result of expenditures related to conveyance facilities, specifically, the Harbor Siphons project which will provide operational improvements and eliminate hydraulic bottlenecks for sewage flows, the North 27th Street Inline Storage System Extension which will add 27 million gallons of storage capacity, and other projects to increase conveyance capacity and sewer rehabilitation; instrumentation and control improvements for water reclamation facilities; watercourse improvements on the Menomonee River and the District's ongoing capital improvement plan.

Table A-3
Capital Assets
(000's)

	2009	2008	2007	Percentage Increase (Decrease) 2009 Versus 2008
Land, Land Easements & Land Improvements	$106,447	$103,402	$92,939	2.9%
Buildings	792,485	792,485	792,485	0.0
Machinery & Equipment	695,202	686,365	676,964	1.3
Aeration and Clarifier Tanks	62,692	62,692	62,692	0.0
Watercourse Improvements	203,629	203,590	203,590	0.0
Intercepting Sewer System	1,954,590	1,922,871	1,906,424	1.6
Construction in Progress	645,518	509,242	396,851	26.8
Subtotal	4,460,563	4,280,647	4,131,945	4.2
Less: Accumulated Depreciation	(1,112,359)	(1,044,935)	(979,262)	6.5
Net Property, Plant and Equipment	$3,348,204	$3,235,712	$3,152,683	3.5%

See accompanying independent auditors' report.

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, 2009 amounted to $892.7 million. Included in this amount are $281.4 million of general obligation bonds issued by the District.

The remaining balance of $611.3 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 2.365% to 4.953%.

On August 14, 2008, the District issued $70,000,000 of General Sewerage System Bonds, Series 2008F to provide additional funding for its capital improvements program in 2008 and 2009.

Bond ratings from Moody's Investors Services and Standard & Poor's continue to have the same ratings as they have carried since 1997. These ratings as of December 31, 2009 are as follows:

Moody's Investors Services	Standard & Poor's	Fitch Ratings
Aa1	AA+	AAA

On April 16th, 2010 Moody's Investors Services (Moody's) changed the District's rating to Aaa. This change in the rating is a result of Moody's recalibration of their public sector bond ratings. 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 9.3 percent for 2009, an increase from the 5.5 percent rate for 2008. This compares to the state's unemployment rate of 8.5 percent and the national rate of 9.3 percent.
- Inflation in the metropolitan area was similar to the national consumer price index.
  - Milwaukee's inflation rate was -0.3% for 2009.
  - The average U.S. city rate was -0.4% for 2009.
- The equalized valuation for the District's service area decreased by 2.2 percent in 2009, while 2009 user charge wasteloads changed as follows:
  - Billable flows down 3.7%.
  - Pounds of Biochemical Oxygen Demand (BOD) up 1.9%.
  - Pounds of Total Suspended Solids (TSS) 1.7%.

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

The District approved an $87.5 million 2010 Operation and Maintenance Budget, an increase of $2.6 million or 3.1% from 2009. The District's sewer user charge billings are budgeted to increase 2.0%, or $1,360,000, in 2010 to about $69.2 million. The average 2010 District residential charge is $118.26, an increase of 4.1% over 2009.

Items of note in the 2010 Operations and Maintenance Budget include:

- A decrease of approximately $1.4 million has been budgeted for natural gas primarily due to lower natural gas prices.
- As mentioned above, the City of Milwaukee's Employee Retirement System in which the District participates has experienced a decline below 100% in its funding ratio. An employer contribution of $1.6 million is budgeted in 2010 in order to ensure that the ERS is funded at an adequate level. Additional funding may need to be budgeted in future years depending on investment performance.
- Significant funds for the repair and replacement of aging machinery and equipment at both the Jones Island and South Shore Water Reclamation Facilities.
- An expanded surface water debris cleaning program in partnership with the City of Milwaukee and private organizations.
- No salary increases for its management and non-represented staff.

The District's Commission approved a 2010 Capital Budget that included a tax levy of $82.5 million, no increase from the levy of the prior year. The tax rate has increased from $1.29 to $1.32 per $1,000 of equalized value due to a decrease in equalized value. Included in the Capital Budget is the current six-year financing plan that includes tax levy increases of 4.0% per year from 2015 through 2014, while increasing the estimated tax rate from $1.32 to $1.47 per $1,000 of equalized value.

As mentioned earlier, the current six-year financing plan anticipates peak capital project expenditures in 2010 as a result of continued implementation of the 2010 Facilities Plan, Central Metropolitan Interceptor Sewer Improvements and construction expenses related to major watercourse projects on the Menomonee River watershed. The six-year financing plan also includes initial implementation of the 2020 Facilities Plan, approved in December 2007. The District has developed a long-range financing plan through 2020 to provide for implementation of 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 Assets

December 31, 2009 and 2008
(In Thousands)

Assets	2009	2008
Current unrestricted assets:		
Cash and investments	$ 27,479	$ 25,837
Receivables:		
Billed user charges	6,304	5,911
Unbilled user charges	10,694	9,764
Fertilizer sales	1,651	1,090
Other	1,456	2,599
Inventories:		
Operating and maintenance supplies	3,306	2,915
Fertilizer	1,866	1,356
Total current unrestricted assets	52,756	49,472
Current restricted assets:		
Cash and investments	99,383	184,398
Receivables:		
Tax levy	82,458	82,458
Capital charges – municipalities outside the District	23,536	24,044
Grant funds	46	64
Other	14	848
Prepaid expenses and other	2,240	1,963
Total current restricted assets	207,677	293,775
Total current assets	260,433	343,247
Capital assets, at cost:		
Land	68,364	65,319
Land easements	18,545	18,545
Land improvements	19,538	19,538
Buildings	792,485	792,485
Aeration and clarifier tanks	62,692	62,692
Machinery and equipment	695,202	686,365
Intercepting sewer system	1,954,590	1,922,871
Watercourse improvement	203,629	203,590
Construction in progress	645,518	509,242
	4,460,563	4,280,647
Less accumulated depreciation	(1,112,359)	(1,044,935)
Net capital assets	3,348,204	3,235,712
Total assets	$ 3,608,637	$ 3,578,959

See accompanying notes to financial statements.

Liabilities	2009	2008
Current liabilities (payable from current assets):		
Accounts payable	$ 10,262	$ 6,975
Accrued salaries and wages	845	682
Postretirement benefits	4,109	4,498
Accrued vacation pay	1,290	1,235
Other	588	660
Total current liabilities (payable from current assets)	17,094	14,050
Current liabilities (payable from restricted assets):		
Accounts payable	19,841	12,903
Retainers payable	7,057	2,773
Accrued interest	6,005	6,278
Unearned revenues:		
Tax levies	82,458	82,458
Capital charges – municipalities outside the District	22,450	22,488
Long-term obligations due within one year	56,555	57,712
Total current liabilities (payable from restricted assets)	194,366	184,612
Total current liabilities payable	211,460	198,662
Noncurrent liabilities:		
Retainers payable	1,210	3,930
Long-term obligations:		
General obligations bonds	284,646	296,570
Clean Water Fund Program loans	564,536	567,568
Postretirement benefits – long term	13,387	7,174
Accrued vested sick pay	1,595	1,500
Total long-term obligations	865,374	876,742
Total liabilities	1,076,834	1,075,404
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	2,436,462	2,343,490
Restricted – capital projects	46,899	105,391
Restricted – equipment replacement	16,066	17,116
Restricted – debt service	11,650	10,745
Unrestricted	20,726	26,813
Total net assets	$ 2,531,803	$ 2,503,555

Exhibit A-2

Statements of Revenues, Expenses, and Changes in Net Assets

Years Ended December 31, 2009 and 2008
(In Thousands)

	2009	2008
Operating revenues:		
User charges	$ 68,460	$ 62,430
Fertilizer	7,957	7,272
Other	441	887
Total operating revenues	76,858	70,589
Operating expenses:		
Systems – operation and maintenance	58,055	55,267
Laboratory and research services	2,339	2,463
Industrial waste and conveyance monitoring	3,774	3,745
Finance, engineering, and administration	19,610	18,298
Depreciation	69,131	68,251
Total operating expenses	152,909	148,024
Operating loss	(76,051)	(77,435)
Nonoperating revenues (expenses):		
Property taxes - capital	82,332	80,729
Investment income	2,504	4,921
Net increase (decrease) in fair value of investments	(328)	588
Interest expense	(11,725)	(12,430)
Capital charges – communities outside the District	22,757	23,642
Gain (loss) on disposal of capital assets	6,053	152
Other	712	1,198
Total nonoperating revenues, net	102,305	98,800
Income before capital contributions	26,254	21,365
Capital contributions	1,994	600
Change in net assets	28,248	21,965
Net assets at beginning of year	2,503,555	2,481,590
Net assets at end of year	$ 2,531,803	$ 2,503,555

See accompanying notes to financial statements.

Exhibit A-3

Statements of Cash Flows

Years Ended December 31, 2009 and 2008
(In Thousands)

	2009	2008
Cash flow from operating activities:		
Receipts from customers and users	$ 76,600	$ 69,476
Payments to suppliers	(63,753)	(63,129)
Payments to employees	(11,622)	(11,921)
Net cash provided (used) by operating activities	1,225	(5,574)
Cash flow from capital and related financing activities:		
Acquisition and construction of capital assets	(173,981)	(150,024)
Proceeds from long-term debt issued	43,791	190,260
Principal payments on long-term obligations	(57,784)	(52,099)
Interest paid on long-term obligations (net of capitalized interest)	(14,118)	(13,651)
Premium on debt issued, net of costs	—	1,712
Proceeds from the sale of capital assets	7,265	486
Government grant receipts and other contributions	2,494	39
Tax levy receipts	82,332	80,729
Capital charges – municipalities outside the District	23,227	24,386
Net cash provided (used) by capital and related financing activities	(86,774)	81,838
Cash flow from investing activities:		
Investment income	2,504	4,921
Purchase of investments	(193,648)	(114,946)
Proceeds from sale and maturity of investments	280,921	36,769
Net cash provided (used) by investing activities	89,777	(73,256)
Net (decrease) increase in cash and cash equivalents	4,228	3,008
Cash and cash equivalents at beginning of year	12,872	9,864
Cash and cash equivalents at end of year	$ 17,100	$ 12,872
Cash and cash equivalents as presented in the accompanying statements of net assets:		
Current cash and investments	$ 27,479	$ 25,837
Restricted cash and investments	99,383	184,398
Non-cash equivalents	(109,762)	(197,363)
Cash and cash equivalents	$ 17,100	$ 12,872
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	$ (76,051)	$ (77,435)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	69,131	68,251
Postretirement benefits	5,824	5,910
Other nonoperating revenue	712	1,198
Changes in current assets and liabilities:		
Current receivables and other assets	(970)	(2,311)
Prepaid expenses and other	(48)	(136)
Inventories	(901)	(762)
Accounts payable and other liabilities	3,528	(289)
Net cash provided (used) by operating activities	$ 1,225	$ (5,574)
Noncash investing, capital and related financing activities:		
Increase (decrease) in fair value of investments	$ (328)	$ 588
Capital assets contributed by others	352	252

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2009 and 2008

(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. It encompasses most of the territorial area of Milwaukee County and the portion of the Village of Bayside, which is in Ozaukee County, and excludes all of the City of South Milwaukee and areas in the City of Franklin that are not likely to receive sewer service from the District within 10 years. 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 accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to government entities. As permitted by U.S. generally accepted accounting principles, the District has elected to apply only Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989.

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 earned, and expenses 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

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 assets.

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 Treasurer of the State of Wisconsin. 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 assets. 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) Restricted Assets

The District maintains specific investments held by the bank for safekeeping for funds intended for equipment replacement. The equipment replacement funds are classified as restricted assets and were approximately $16.1 and $17.1 million in 2009 and 2008, respectively. Also included in restricted assets are investments, receivables, and other assets available for restricted liabilities related to the District's capital improvement program of $180.0 and $269.7 million in the same periods. Investments restricted for debt service were $11.6 and $10.8 million, respectively.

(g) Property Taxes

Property taxes levied have been designated by the District's Commission to be legally available for capital expenditures and debt service requirements in the ensuing year. Taxes levied in 2009, to be collected in 2010, of $82,458,000, have been included in unearned revenues in the statement of net assets at December 31, 2009, and are available for expenditure in 2010. Taxes levied in 2008, to be collected in 2009, of $82,458,000, have been included in unearned revenues in the statement of net assets at December 31, 2008, and are available for expenditure in 2009.

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.

(h) 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.

(i) Capital Assets

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

Interest is capitalized on constructed assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest cost is amortized on the same basis as the related asset is depreciated. The amount of interest capitalized was $16,315,000 and $13,307,000 in 2009 and 2008, respectively.

Depreciation is provided using the straight-line method over the following estimated useful lives:

	Years
Land easements	50
Land improvements	36
Buildings	25-50
Aeration and clarifier tanks	75
Machinery and equipment	11-36
Intercepting sewer system	50-100
Watercourse improvements	50-100

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

(j) Vacation Pay

Vacation pay is accrued as earned and is to be used within one year. The accrued vacation pay of $1,290,000 and $1,235,000 at December 31, 2009 and 2008, respectively, is classified as a current liability.

(k) 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.

(l) Unearned Revenue

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. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

(m) Bond Premiums, Discounts, Issuance Costs and Refunding Gains or Losses

Bond premiums and discounts, as well as issuance costs 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Gains or losses on refundings are deferred and amortized over the life of related bonds on a straight line basis.

(n) 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 continue to accumulate unused sick pay. Sick pay is accrued as earned. The frozen sick pay of the management employees is $86,000 and $89,000 at December 31, 2009 and 2008, and is classified as a long-term liability. The vested sick pay of the Union employees is $1,609,000 and $1,511,000 at December 31, 2009 and 2008, and $1,509,000 and $1,411,000 are classified as long-term liabilities at December 31, 2009 and 2008 respectively.

(o) Net Assets

Net assets are displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – 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 net assets 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 assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(p) 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, 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.

(q) 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.

(r) New Accounting Pronouncements

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The objective of this Statement is to enhance the usefulness and comparability of pollution remediation obligation information reported by state and local governments by setting uniform standards requiring more timely and complete reporting of those obligations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007. Early application of this Statement is encouraged. The implementation of this statement in 2008 did not have a material impact on the District's financial statements.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and 27.* The objective of this Statement is to more closely align the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhancing information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The District has implemented this statement for the year ending December 31, 2008.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* The objective of this Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The District will be required to implement this statement for the year ending December 31, 2010.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* The objective of this Statement is to establish consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Land and other real estate investments must be reported at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement will not apply to the District.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The objective of this statement is to improve financial reporting by requiring governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. These improvements should allow users of those financial statements to more fully understand a government's resources available to provide services. The application of interperiod equity means that changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. On the other hand, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risk associated with the derivative instruments. The District will be required to implement this statement for the year ending December 31, 2010.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to improve the clarity and consistency of the fund balance information provided to financial report users. The Statement is designed to improve this information by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. The new standards establish a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used. Depending upon the type of constraints associated with them, Fund balance amounts will be classified as Restricted, Committed, Assigned, and Unassigned. The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or "rainy-day" amounts should be reported. This statement will not apply to the District.

(s) Reclassification

Certain amounts in the 2008 financial statements may have been reclassified to conform with the classification used in 2009. The primary reclassification was the treatment of the certain LGIP funds as cash equivalents.

(3) Deposits and Investments

As of December 31, 2009, the District had the following investments and cash and cash equivalents (in thousands) and maturities:

	Fair Value	Investment Maturities (in years) Less Than 1	1-2	3-5
Checking	$(2,622)	$(2,622)	$ –	$ –
U.S. Instrumentalities	37,638	9,806	22,401	5,431
U.S. Treasuries	7,683	3,642	2,949	1,092
Local Government Investment Pool and Class	78,149	78,149	–	–
Corporate Bonds	4,711	3,093	1,618	–
Certificates of Deposit	1,303	1,303	–	–
Total Investments	$126,862	$93,371	$26,968	$6,523

As of December 31, 2008, the District had the following investments and cash and cash equivalents (in thousands) and maturities:

	Fair Value	Investment Maturities (in years) Less Than 1	1-2	3-5
Checking	$(4,156)	$(4,156)	$ –	$ –
U.S. Instrumentalities	32,401	4,649	15,460	12,292
U.S. Treasuries	5,103	2,351	2,194	558
Local Government Investment Pool and Class	171,466	171,466	–	–
Corporate Bonds	4,114	1,134	2,980	–
Certificates of Deposit	1,307	1,307	–	–
Total Investments	$210,235	$176,751	$20,634	$12,850

During 2009 and 2008, the District was in accordance 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 2009 and 2008, investments with maturities of less than 180 days, based on par value, comprised on average, 77.3% and 80.5%, 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. As of December 31, 2009 and 2008, the District did not hold any investments in commercial paper. The District's investment in corporate bonds at December 31, 2009, ranged from A to AA-by Standard's & Poor's, or A2 to Aa3 by Moody's Investors Service. At December 31, 2008, the District's investment in corporate bonds were rated either AA-by Standard's & Poor's, AA-by Fitch Ratings, or Aa2 by Moody's Investors Service or higher.

As to the credit risk related to the District's investment in the Local Government Investment Pool (LGIP), the Financial Security Assurance Corporation insured LGIP investments, except for investments in U.S. Government Agencies, State of Wisconsin agencies, and Wisconsin banks, against credit loss. This coverage expired on February 15, 2009. Further, the Federal Deposit Insurance Corporation (FDIC) insures the pro rata share of certificates of deposit held by the LGIP.

At December 31, 2009 and 2008, all of the District's investment in U.S. Instrumentalities are rated either AAA by Standard & Poor's, AAA by Fitch Ratings, or Aaa by Moody's Investors Service.

On October 18, 2007 the District was notified that Rhinebridge PLC was placed in receivership having been forced to call in its trustee, Bank of New York Mellon, due to the occurrence of a breach of the Major Capital Loss Test and because of a Senior Creditor Payment Event where all Secured Obligations are immediately due and payable. The District's commercial paper investment entitled the District to be treated as a "senior creditor" and, thus, a preferred creditor for purposes of claims on pledged assets. The book value of the Rhinebridge PLC commercial paper investment as of October 18th, 2007 was $1,989,600. The trustee subsequently appointed Deloitte & Touche LLP to be receivers and managers of all the assets of Rhinebridge PLC.

At December 31, 2007 the District has recorded a receivable of $1,667,000 for the balance due from Rhinebridge PLC based on the market value of the assets of Rhinebridge PLC provided to the District by Deloitte & Touche LLP.

In July 2008 the assets of Rhinebridge were distributed to the creditors. One form of distribution was a transfer of a portion of the assets to a newly created entity, Raven Funding Limited (Raven Funding). Raven Funding is making quarterly payments to the creditors, including the District, that elected to have their claim to the assets of Rhinebridge transferred to Raven Funding. From October 2008 through April 2010 the District has received quarterly payments. As of December 31, 2009 and 2008, the District's receivable balances were $937,000 and $1,280,000, respectively, based on the market value of the assets of Raven Funding Limited as reported by The Bank of New York Mellon.

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, 2009, the District had more than 5% of the District's investments in the following issuers:

Issuer	Percentage
Federal Home Loan Bank	11.07
Federal National Mortgage Association	6.46
Federal Home Loan Mortgage Corporation	5.39

As of December 31, 2008, the District had more than 5% of the District's investments in the following issuer:

Issuer	Percentage
Federal National Mortgage Association	8.82

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, 2009 and 2008. These deposits, excluding $2,780 of accrued interest at December 31, 2009 and $7,000 of accrued interest at December 31, 2008, are fully insured through a combination of federal and state deposit insurance.

(4) Operating Contract and Expenses

The Milwaukee Metropolitan Sewerage District Commission's 10-year contract with United Water Services Milwaukee LLC (UWS) for the operation of the District's two wastewater treatment plants, biosolids management, and field operations, expired February 29, 2008. The agreement saved the District's ratepayers more than $160 million over the term of the contract. The District continued to operate its industrial waste pretreatment program; capital planning and engineering services; environmental laboratory, water quality monitoring and research; Milorganite® sales, marketing and distribution while maintaining ownership of the assets. At the termination of the contract, custody of the inventory was reverted back to the District, and any change in the value of inventory was settled between parties. The District implemented an extensive contract compliance and oversight program related to the UWS 10-year agreement.

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.

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 fee is subject to adjustments based on various indices, and was approximately $49,903,000 and $45,189,000 for the years ended December 31, 2009 and 2008 respectively. 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 Grant Funds	Outstanding Grants Receivable Billed	Unbilled	Total
	(In Thousands)			
December 31, 2009:				
Federal	$32	$32	$ –	$32
State	14	14	–	14
	$46	$46	$ –	$46
December 31, 2008:				
Federal	$425	$425	$ –	$425
State	357	–	64	64
	$782	$425	$64	$489

The District accrues for unbilled grant amounts based on eligible project expenditures incurred. Actual billings are made in accordance with respective grant provisions. During 2008 $425,000 of FEMA funds receivable were included in other receivables.

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, 2009 was as follows:

	Balance, Beginning of Year	Additions	Deductions	Transfers	Balance, End of Year
			(In Thousands)		
Capital assets not being depreciated:					
Land	$65,319	$–	$1,212	$4,257	$68,364
Construction in progress	509,242	182,030	–	(45,754)	645,518
Total capital assets not being depreciated	574,561	182,030	1,212	(41,497)	713,882
Capital assets being depreciated:					
Land easements	18,545	–	–	–	18,545
Land improvements	19,538	–	–	–	19,538
Buildings	792,485	–	–	–	792,485
Aeration and clarifier tanks	62,692	–	–	–	62,692
Machinery and equipment	686,365	805	1,707	9,739	695,202
Intercepting sewer system	1,922,871	–	–	31,719	1,954,590
Watercourse improvements	203,590	–	–	39	203,629
Total capital assets being depreciated	3,706,086	805	1,707	41,497	3,746,681
Less accumulated depreciation:					
Land easements	1,296	371	–	–	1,667
Land improvements	9,192	511	–	–	9,703
Buildings	270,819	15,167	–	–	285,986
Aeration and clarifier tanks	18,591	836	–	–	19,427
Machinery and equipment	311,003	23,990	1,707	–	333,286
Intercepting sewer system	407,120	25,585	–	–	432,705
Watercourse improvements	26,914	2,671	–	–	29,585
Total accumulated depreciation	1,044,935	69,131	1,707	–	1,112,359
Total capital assets being depreciated, net	2,661,151	(68,326)	–	41,497	2,634,322
Total capital assets, net	$3,235,712	$113,704	$1,212	$–	$3,348,204

Capital assets activity for the year ended December 31, 2008 was as follows:

	Balance, Beginning of Year	Additions	Deductions	Transfers	Balance, End of Year
			(In Thousands)		
Capital assets not being depreciated:					
Land	$54,856	$–	$–	$10,463	$65,319
Construction in progress	396,851	150,774	284	(38,099)	509,242
Total capital assets not being depreciated	451,707	150,774	284	(27,636)	574,561
Capital assets being depreciated:					
Land easements	18,545	–	–	–	18,545
Land improvements	19,538	–	–	–	19,538
Buildings	792,485	–	–	–	792,485
Aeration and clarifier tanks	62,692	–	–	–	62,692
Machinery and equipment	676,964	840	2,628	11,189	686,365
Intercepting sewer system	1,906,424	–	–	16,447	1,922,871
Watercourse improvements	203,590	–	–	–	203,590
Total capital assets being depreciated	3,680,238	840	2,628	27,636	3,706,086
Less accumulated depreciation:					
Land easements	925	371	–	–	1,296
Land improvements	8,681	511	–	–	9,192
Buildings	255,651	15,168	–	–	270,819
Aeration and clarifier tanks	17,755	836	–	–	18,591
Machinery and equipment	290,159	23,421	2,577	–	311,003
Intercepting sewer system	381,848	25,272	–	–	407,120
Watercourse improvements	24,243	2,671	–	–	26,914
Total accumulated depreciation	979,262	68,250	2,577	–	1,044,935
Total capital assets being depreciated, net	2,700,976	(67,410)	51	27,636	2,661,151
Total capital assets, net	$3,152,683	$83,364	$335	$–	$3,235,712

The District had construction contract commitments of approximately $84,166,000 and $113,793,000 as of December 31, 2009 and 2008, respectively.

(7) Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
			(In Thousands)		
General obligation bonds	$301,145	$–	$(19,705)	$281,440	$9,805
Plus unamortized premium	14,394	–	(2,013)	12,381	–
Less deferred loss on defeasance and refunding	736	–	(106)	630	–
Total bonds payable	316,275	–	(21,824)	294,451	9,805
State of Wisconsin Clean Water Fund	605,575	43,791	(38,080)	611,286	46,750
Subtotal	921,850	43,791	(59,904)	905,737	56,555
Other postretirement benefits	11,672	9,882	(4,059)	17,495	4,109
Vested sick pay	1,600	196	(101)	1,695	100
Total	$935,122	$53,869	$(64,064)	$924,927	$60,764

Changes in long-term obligations for the year ended December 31, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
			(In Thousands)		
General obligation bonds	$247,735	$70,000	$(16,590)	$301,145	$19,705
Plus unamortized premium	14,649	1,713	(1,968)	14,394	–
Less deferred loss on defeasance and refunding	843	–	(107)	736	–
Total bonds payable	263,227	71,713	(18,665)	316,275	19,705
State of Wisconsin Clean Water Fund	520,824	120,260	(35,509)	605,575	38,007
Subtotal	784,051	191,973	(54,174)	921,850	57,712
Other postretirement benefits	5,762	10,547	(4,637)	11,672	4,498
Vested sick pay	1,550	148	(98)	1,600	100
Total	$791,363	$202,668	$(58,909)	$935,122	$62,310

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 3.25% to 5.23% (effective interest rate of 5.15%). Debt service requirements are as follows:

Year	Principal	Interest	Total
		(In Thousands)	
2010	$9,805	$13,910	$23,715
2011	10,180	13,451	23,631
2012	10,585	12,963	23,548
2013	28,585	12,472	41,057
2014	29,680	11,149	40,829
2015-2019	125,405	33,106	158,511
2020-2024	47,580	10,526	58,106
2025-2029	19,620	2,513	22,133
Total	$281,440	$110,090	$391,530

The District has received funds through the State of Wisconsin Clean Water Fund Loan Program, which has replaced grant funding for the construction of wastewater treatment facilities. Interest on these loans is payable semiannually at varying interest rates ranging from 2.37% to 4.95% (effective interest rate of 2.62%). Principal is payable annually in varying amounts. Debt service requirements are as follows:

Year	Principal	Interest	Total
		(In Thousands)	
2010	$46,750	$15,224	$61,974
2011	49,441	14,041	63,482
2012	37,671	12,891	50,562
2013	38,672	11,876	50,548
2014	39,385	10,838	50,223
2015-2019	196,768	38,461	235,229
2020-2024	148,601	14,614	163,215
2025-2029	53,998	1,945	55,943
Total	$611,286	$119,890	$731,176

The District has outstanding loan commitments available of $142,259,000 and $176,124,000 at December 31, 2009 and 2008, respectively, from the State of Wisconsin Clean Water Fund Loan Program. These commitments will be utilized for future construction of wastewater treatment facilities.

On August 12, 1997, the District issued $196,080,000 General Obligation Capital Purpose Refunding Bonds, Series 1997A. 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 the General Obligation Capital Purpose Bonds, Series 1990A. Neither the defeased debt nor the funds held in trust are recorded on the District's statement of net assets. The unamortized refunding loss was $0 as of December 31, 2008. The remaining balance on the Series 1990A Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $0. The remaining balance on the Series 1997A Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $0 and $10,240,000, respectively.

On December 15, 2003, the District issued $38,105,000 General Obligation Capital Purpose Refunding Bonds, Series 2003I. The proceeds were used to purchase state and local government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Capital Purpose Bonds, Series 2001A. 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 $1,172,000 as of December 31, 2009. The remaining balance on the Series 2001A Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $8,755,000 and $12,860,000, respectively. The remaining balance on the Series 2003I Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $37,645,000. As of December 31, 2009 and 2008, $37,995,000 of the 2001A bonds remain defeased from this transaction.

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 $159,000 as of December 31, 2009. The remaining balance on the Series 2001A Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $8,755,000 and $12,860,000, respectively. The remaining balance on the Series 2003D Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $13,165,000 and $16,190,000, respectively. The remaining balance on the Series 2005A Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $57,115,000. As of December 31, 2009 and 2008, $20,815,000 of the 2001A bonds and $38,660,000 of the 2003D bonds remain defeased from this transaction.

On July 3, 2007, the district, issued $97,095,000 of General Sewerage System Refunding Bonds, Series 2007A, with an average interest rate of 5.01 percent to refund $103,715,000 of outstanding bonds, Series 1997A, with an average interest rate of 4.92 percent. The net proceeds of $102,510,000 (including premium of $5,791,000 after payment of $376,000 in underwriting fees and other issuance costs) were used to purchase U.S. government securities which, together with an initial cash deposit and debt service funds released, were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the General Obligation Sewerage System Bonds, Series 1997A. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the statement of net assets. Neither the defeased debt nor the funds held in trust are recorded on the District's statement of net assets. The difference between the acquisition price and the net carrying amount of the old debt was a 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 $1,961,000 as of December 31, 2009. The remaining balance on the Series 1997A Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $0 and $10,240,000, respectively. The remaining balance on the Series 2007A Bonds at December 31, 2009 and 2008, included in general obligation bonds, is $97,095,000. As of December 31, 2009 $0 of the 1997A bonds remained defeased from this transaction.

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, 2009 and 2008, included in general obligation bonds, is $67,665,000 and $70,000,000, respectively.

Interest and debt issuance costs 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 $16,315,000 and $13,307,000 in 2009 and 2008, respectively.

A computation of the legal debt margin, as defined by Wisconsin Statute, as of December 31, 2009 follows:

2009 equalized valuation as determined by the Supervisor of Assessments of the Wisconsin Department of Revenue	$65,340,475,000
Statutory debt limit rate - Wisconsin Statutes Section 67.03	5%
Statutory debt limit	3,267,024,000
General obligation indebtedness:	
Outstanding bonds issued by the District	(281,440,000)
Clean Water Fund Program loans	(611,286,000)
Legal debt margin	$2,374,298,000

(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 $145,000 and $160,000 as of December 31, 2009 and 2008, respectively.

	2009	2008	2007
	(In Thousands)		
Unpaid claims, beginning of year	$160	$180	$185
Claim payments	(65)	(281)	(143)
Current year claims and changes in estimates	50	261	138)
Unpaid claims, end of year	$145	$160	$180

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, 2009 the IBNR is $588,000 and as of December 31, 2008 the IBNR is $660,000.

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

(9) Contingencies and Commitments

(a) Litigation

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

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

BOSTCO, LLC and Parisian, Inc. v. MMSD

Suit was filed in 2003 for alleged damages to the foundation of the Boston Store property caused by groundwater draw down from construction projects of the District. Trial to jury resulted in a verdict for Plaintiff of $6.3 million. This verdict amount was reduced to $100,000 by court order. Plaintiff has appealed. In addition, Plaintiff has obtained an injunction requiring one mile of tunnel to be lined at a cost of approximately $16 million. The District has appealed this order. The District believes it will prevail in this litigation.

E-L Investments, Inc. v. MMSD and Continental Casualty Insurance

Suit was filed for alleged damage to a building foundation because of a District construction project. Claim seeks over $700,000. Jury awarded $309,388 in damages. Court awarded $314,987 in attorneys' fees. Judgment was affirmed by the Court of Appeals. Review was granted by the Wisconsin Supreme Court and the case was argued on October 21, 2009. The District believes it will prevail in this litigation.

State of Wisconsin v. MMSD, et al

The State of Wisconsin filed suit alleging that the District violated its Wisconsin Pollution Discharge Elimination System permit in May 2004 when it permitted overflows during an unusually severe series of rainstorms. The District stipulated with the State to resolve this matter by the payment of $245,000 for forfeitures, statutory surcharge costs and attorneys' fees, as well as $255,000 for supplemental environmental projects. MMSD is still completing the Supplemental Environmental Projects; otherwise, the case is closed.

Cianciola LLP v. MMSD

Building owner claims money damages for building damage allegedly resulting from operation and maintenance of the District's KK/LM Inline Storage Sewer. The District previously settled a claim with regard to the same building. Following a trial to the Court, the judge rendered a decision of approximately $1.1 million. This matter is now on appeal. The District believes it will prevail in this litigation.

Banicki, et al v. MMSD, et al

This case is a putative class action arising from a number of basement backups that occurred in residences and other buildings during a major rainstorm that occurred in June, 2008. The complaint alleges negligence in the operation and maintenance of the District's sewer system on the part of the District, its current private operations and maintenance contractor, Veolia Water Milwaukee, LLC, and its former private operations and maintenance contractor, United Water Services Milwaukee LLC. A private nuisance claim is also founded on the same allegations. Damages have not yet been specified. The District believes it will prevail in this action.

Reep, et al v. MMSD, et al

This case was brought on behalf of approximately 251 individual plaintiffs arising from a number of basement backups that occurred in residences during a major rainstorm that occurred in June, 2008. The complaint alleges negligence in the operation and maintenance of the District's sewer system on the part of the District and its private operations and maintenance contractor, Veolia Water Milwaukee, LLC. Damages specified in the Notices of Claim served on behalf of these plaintiffs total approximately $15 million. The District believes it will prevail in this action.

FM Global v. MMSD, et al

This is a subrogation action arising from a basement backup at the Glendale Clinic that occurred during a major rainstorm in June, 2008. The complaint alleges negligence in the operation and maintenance of the District's sewer system on the part of the District, its current private operations and maintenance contractor, Veolia Water Milwaukee, LLC, and its former private operations and maintenance contractor, United Water Services Milwaukee LLC. A private nuisance claim is also founded on the same allegations. The complaint seeks approximately $1.5 million in damages arising from property damage and business interruption. The District believes it will prevail in this action.

Gold v. MMSD

This case was originally brought on account of a dispute over whether the District properly provided information to state DNR concerning hazardous substances found on site of construction. Property owner amended its complaint to allege claim for property damage. Matter is in discovery. The District believes it will prevail in this action.

Notices of Claim Arising from June 18-19, 2009 Rain Event

The District has received several notices of claim arising from basement backups that occurred during a major rainstorm in June, 2009. Among these notices of claims is one brought on behalf of approximately 35 residents of West Allis seeking monetary compensation because the District allegedly "failed to protect" the claimants from the June 2009 flooding event. The total damages sought in these claims have not been itemized. The District has disallowed all of the claims arising from the June 2009 rain event, either through a formal notice of disallowance or by operation of law. The District believes it will prevail in any action arising from such notices of claim.

Harbor Siphons Differing Site Claim

The District is currently constructing new siphons to take flows from the sewer system to the Jones Island Treatment Plant. The total value of the construction project is $87,255,000. The contractor is Shea/Kenney Joint Venture. One aspect of the project is the construction of underground structures on Jones Island, which requires control of groundwater flows during excavation of the construction sites. The contractor elected to use a "freeze wall" technology in order to control groundwater; however, the contractor had considerable difficulties achieving a solid freeze wall. The Contractor brought a claim against the District for a differing site condition, alleging that actual ground conditions were materially different than the conditions described in the District's geotechnical baseline report. The District denied the claim, and the contractor sought resolution by a non-binding Disputes Review Board. The Disputes Review Board found in the contractor's favor. The District does not accept the finding of the Disputes Review Board and continues to maintain that there is no material differing site condition. The District has asked the contractor for an itemization of costs incurred as a result of the differing site condition, but to date, the contractor has not provided such an itemization. The contractor has not initiated a legal action with respect to this claim.

North 27th Street ISS Extension Differing Site Condition Claim

The District is currently constructing a 27 million gallon extension to the Inline Storage System, which involves the excavation of a large tunnel in the bedrock beneath the far north side of the City of Milwaukee. The total value of the construction project is $65,360,000. The contractor is Shea/Kenney Joint Venture. In excavating the tunnel, the contractor encountered a large inflow of water at station 100+90. The contractor made a claim of a differing site condition, alleging that the inflow of water is materially different than the conditions described by the District in the contract documents. The District agrees that a differing site condition exists. However, early in the project, the contractor offered to take on all risk for water-related differing site conditions in exchange for permission to depart from the contract specifications related to cement grouting. This agreement was memorialized and signed by both parties in Modification # 1 to the contract. Therefore, the District takes the position that no additional payment is due to the contractor. The contractor claims that it incurred $4,674,083 in additional costs resulting from the differing site condition. The District's resident engineering staff for the project has made initial estimates that the contractor's additional costs were well under $1 million; however, the District believes that it is not obligated to pay any amount. The contractor has not initiated a legal action with respect to this claim.

(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 is approximately $110,000 and $600,000 as of December 31, 2009 and 2008, respectively, and has been accrued for in the accompanying financial statements.

(c) Natural Gas Purchasing Commitment

On March 1, 2008 the District entered into an operating contract with Veolia 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, 2009, the District has commitments to purchase $4,981,761 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, 2008 the District had commitments to purchase $8,593,888 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. Starting in 1970, the District has contributed the 5.5% on behalf of the employees. During 2009, the District was required to contribute an additional $1,070,000 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 2009. No such contribution was required by the District in 2008 and 2007. Contributions for District and its employees (which equals both required and actual contributions) are as follows:

	2009	2008	2007
Employer contribution rate:			
Employee requirement	5.5%	5.5%	5.5%
Employer's contribution	–	–	–
	5.5%	5.5%	5.5%
District contribution (in thousands):			
Employee	$909	$908	$864
Employer	1,070	–	–
	$1,979	$908	$864

(11) Other Postretirement Benefits

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

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

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

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

Currently, 350 retirees meet those eligibility requirements. As such, an amount equal to the anticipated benefits to be paid in the next year has been reported as a current liability. 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 31, 2008 and 2009 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:

	2009 (In Thousands)	2008 (In Thousands)
Annual required contribution	$10,157	$10,031
Interest on net OPEB obligation	287	289
Adjustment to annual required contribution	(561)	(372)
Annual OPEB cost	9,883	9,948
Contributions made	(4,059)	(4,038)
Increase in net OPEB obligation	5,824	5,910
Net OPEB Obligation - Beginning of Year	11,672	5,762
Net OPEB Obligation - End of Year	$17,496	$11,672

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 was as follows:

Fiscal Year Ended	Annual OPEB Cost (In Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (In Thousands)
2009	$9,883	41.1%	$17,496
2008	$9,948	40.6%	$11,672

The funded status of the plan as of December 31, 2009 and 2008, the most recent actuarial valuation dates, was as follows:

	2009 (In Thousands)	2008 (In Thousands)
Actuarial accrued liability (AAL)	$142,724	$159,238
Actuarial value of plan assets	–	–
Unfunded Actuarial Accrued Liability (UAAL)	$142,724	$159,238
Funded ration (actuarial value of plan assets/AAL)	–	–
Covered payroll (active plan members)	$24,406	$23,584
UAAL as a percentage of covered payroll	585%	675%

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

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

In the actuarial valuation, the entry age actuarial cost method was used. In 2009, the actuarial assumptions include a 3.19% investment rate of return for 2009 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. In 2008, the actuarial assumptions include a 2.46% 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 remaining amortization period at December 31, 2009 and 2008, was 27 and 28 years, respectively.

(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 Alterra Coffee for space within the District's Milwaukee River Flushing Station. The City of Milwaukee lease terminates in 2013. The Alterra Coffee lease terminates in 2012, with two, five year options. The District has one long term, through 2058, lease with Pt. Loomis Associates Limited Partnership related to an enclosed channel. The remaining leases involve seasonal crop land agreements on land from the District's Conservation Easement Program.

Future minimum lease receipts under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2009 are as follows:

Year ending December 31:	
2010	$182,310
2011	169,060
2012	165,107
2013	157,202
2014	21,967
2015 through 2019	70,935
2020 through 2024	61,210
2025 through 2029	61,210
2030 through 2034	61,210
2035 through 2039	61,210
2040 through 2044	61,210
2045 through 2049	61,210
2050 through 2054	61,210
2055 through 2058	46,966
Total minimum lease receipts	$1,242,017

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2009 are:

Year ending December 31:	
2010	$55,957
2011	58,183
2012	35,733
2013	16,723
2014	8,840
2015	33
Total minimum lease payments	175,469
Less current installments of obligations under operating leases	(55,957)
Obligations under operating leases, excluding current installments	$119,512

The District has four 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	$–	$142,724	$142,724	0%	$24,406	585%
12/31/2008	$–	$159,238	$159,238	0%	$23,584	675%
12/31/2007	$–	$127,460	$127,460	0%	$23,680	538%

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APPENDIX B

LEGAL OPINION

ATTORNEYS AT LAW
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December __, 2010

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

Subject: $50,000,000
Milwaukee Metropolitan Sewerage District, Wisconsin
[Taxable] General Obligation Sewerage System Bonds, Series 2010L

We have acted as bond counsel in connection with the issuance by the Milwaukee Metropolitan Sewerage District, Wisconsin (the "**District**") of its $50,000,000 [Taxable] General Obligation Sewerage System Bonds, Series 2010L, dated December 23, 2010 (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 to the extent that the District has not deposited other funds, or there is not otherwise surplus money, in the debt service fund created for the Obligations under Wisconsin law.

The following paragraph will not be included if the Bonds are taxable:

3. [Interest on the Obligations is excluded from gross income for federal income tax purposes, is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers, and is not taken into account in determining adjusted current earnings for the purpose 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 (the "**Code**"), 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 retroactive 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 only with the District.

Very truly yours,

APPENDIX C

CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of December 23, 2010 (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. **Definitions**.

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 $50,000,000 [Taxable] General Obligation Sewerage System Bonds, Series 2010L, dated December 23, 2010.

"**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 November 15, 2010 and on December 13, 2010, pursuant to which the Obligations are issued.

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

Section 2. **Purpose of this Disclosure Agreement**.

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. **Annual Financial Information**.

(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 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. Event Notices.

(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. Transmittal of Annual Financial Information and Event Notices.

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. **Termination of Disclosure Agreement and Reporting 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. **Amendment; Waiver.**

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.

A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and 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. Beneficiaries.

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 executed by its duly authorized officer or representative as of the date written above.

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT,
Issuer

By:____________________________________
Title: Treasurer

MIX
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