

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

**FINANCIAL STATEMENTS
December 31, 2012 and 2011**



CliftonLarsonAllen

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Green Bay Metropolitan Sewerage District, which comprise the Statements of Net Position as of December 31, 2012 and 2011, and the related statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Because we were unable to reconcile the cost of capital assets stated at \$272,182,319 and \$237,327,658, accumulated depreciation stated at \$108,766,601 and \$104,894,230 and depreciation expense of \$6,312,357 and \$6,451,996, respectively, as of December 31, 2012 and 2011, we are unable to form an opinion regarding these amounts.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Green Bay Metropolitan Sewerage District as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 27, 2013

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011

As management of the Green Bay Metropolitan Sewerage District (GBMSD), we offer readers of GBMSD's financial statements this narrative overview of the financial activities of GBMSD for the fiscal year ending December 31, 2012. We encourage readers to consider the information presented here in conjunction with GBMSD's financial statements and notes to the financial statements to enhance their understanding of GBMSD's financial performance.

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

FINANCIAL HIGHLIGHTS

Highlights for 2012 were:

- In 2012, the assets of GBMSD exceed its liabilities at the close of the fiscal year by \$187,292,639. Of this amount, \$6,688,486 may be used to meet GBMSD's ongoing obligations. In 2012, total assets increased \$4,937,029, while total liabilities increased \$1,203,238, resulting in total net position increasing \$3,733,791 over the course of the year's operations.
- GBMSD's operating expenses decreased by \$401,478 in 2012, after an increase of \$1,269,020 in 2011.
- User fee revenues from municipal waste increased by \$407,162, while mill waste decreased by \$176,246 in 2012.
- Investment income decreased by \$420,347 or 33% in 2012, and decreased by \$280,105 or 20% in 2011. This decrease is reflective of the lower interest rates and a reduction in funds available for investment as a result of construction expenditures.

Highlights for 2011 were:

- In 2011, the assets of GBMSD exceed its liabilities at the close of the fiscal year by \$183,558,848. Of this amount, \$7,238,106 may be used to meet GBMSD's ongoing obligations. In 2011, total assets increased \$4,926,915, while total liabilities decreased \$853,512, resulting in total net position increasing \$5,780,427 over the course of the year's operations.
- GBMSD's operating expenses increased by \$1,269,020 in 2011, after a decrease of \$1,062,155 in 2010. The most significant components of the increase in 2011 was depreciation which increased by \$1,328,034. An analysis and reconciliation of the data base for the capital assets identified that approximately \$441,726 of additional depreciation should have been recorded in prior years, which was adjusted in 2011.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

- User fee revenues from municipal waste increased by \$3,161,640 in 2011, while mill waste increased by \$307,939 in 2011.
- Investment income decreased by \$280,105 or 20% in 2011, and decreased by \$506,722 or 25% in 2010. This decrease is reflective of the lower interest rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS OF GBMSD

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about GBMSD's financial activities for the years ending December 31, 2011 and 2010. These statements report the year-end balances of net position as well as the changes in net position from one year to the next. The balance of net position – the difference between assets and liabilities – measures GBMSD's financial health or financial position. Over time, increases or decreases in GBMSD's net position indicate whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and changes in governmental regulations must also be considered.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

NET POSITION

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

Condensed Summary of Net Position

	December 31			Variance of 2012 to 2011 Increase (decrease)	
	2012	2011	2010	Dollars	%
Capital assets:					
Net plant in service	\$163,415,718	\$132,433,428	\$122,762,849	\$30,982,290	23.4 %
Construction in progress	15,670,127	44,445,279	49,922,221	(28,775,152)	(64.7)
Current, restricted and other assets	77,187,000	74,457,109	73,717,417	2,729,891	3.7
Total assets	<u>256,272,845</u>	<u>251,335,816</u>	<u>246,402,487</u>	<u>4,937,029</u>	<u>2.0</u>
Current liabilities	10,910,281	6,964,083	11,545,298	3,946,198	56.7
Long-term liabilities	58,069,925	60,812,885	57,085,182	(2,742,960)	(4.5)
Total liabilities	<u>68,980,206</u>	<u>67,776,968</u>	<u>68,630,480</u>	<u>1,203,238</u>	<u>1.8</u>
Net position:					
Invested in capital assets, net of related debt	117,316,685	112,588,008	111,599,189	4,728,677	4.2
Restricted	63,287,468	63,732,734	64,345,651	(445,266)	(0.7)
Unrestricted	6,688,486	7,238,106	1,827,167	(549,620)	(7.6)
Total net position	<u>\$187,292,639</u>	<u>\$183,558,848</u>	<u>\$177,772,007</u>	<u>\$ 3,733,791</u>	<u>2.0 %</u>

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

Net position increased \$5.8 million to \$183.6 million in 2011 from \$177.9 million in 2010. Significant changes in net position included a \$3.7 million decrease in outstanding long-term debt and a \$4.2 million increase in capital assets.

Net position increased \$9.2 million to \$177.9 million in 2010 from \$168.7 million in 2009. Significant changes in net position included a \$20.0 million decrease in outstanding long-term debt, a \$24.5 million decrease in current and other assets, and a \$23.6 million increase in capital assets.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

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

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

	Year ended December 31			Variance of 2012 to 2011 Increase (decrease)	
	2012	2011	2010	Dollars	%
Revenues:					
Operating revenues	\$ 25,970,223	\$ 25,816,455	\$ 21,888,491	\$ 153,768	0.6 %
Non-operating revenues	827,897	1,248,244	1,528,349	(420,347)	(33.7)
Total Revenues	<u>26,798,120</u>	<u>27,064,699</u>	<u>23,416,840</u>	<u>(266,579)</u>	<u>(1.0)</u>
Expenses:					
Depreciation expense	6,312,357	6,451,996	5,123,962	(139,639)	(2.2)
Other operating expense	17,492,579	17,754,418	17,813,432	(261,839)	(1.5)
	23,804,936	24,206,414	22,937,394	(401,478)	
Non-operating expense	3,030,259	1,835,184	1,046,612	1,195,075	65.1
Total Expenses	<u>26,835,195</u>	<u>26,041,598</u>	<u>23,984,006</u>	<u>793,597</u>	<u>3.0</u>
Decrease in net position, before capital contributions and transfers	(37,075)	1,023,101	(567,166)	(1,060,176)	(103.6)
Capital contributions	<u>3,770,866</u>	<u>4,763,740</u>	<u>9,740,050</u>	<u>(992,874)</u>	<u>(20.8)</u>
Change in Net Position	3,733,791	5,786,841	9,172,884	(2,053,050)	(35.5)
Net position at beginning of year, restated	<u>183,558,848</u>	<u>177,772,007</u>	<u>168,599,123</u>	<u>5,786,841</u>	<u>3.3</u>
Net position at end of year	<u>\$187,292,639</u>	<u>\$183,558,848</u>	<u>\$177,772,007</u>	<u>\$ 3,733,791</u>	<u>2.0 %</u>

The 2011 and 2010 amounts have been restated to implement GASB Statements No. 63 and 65 as discussed in Note 12 to the financial statements.

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

GBMSD's operating revenues increased by \$3,927,964 to \$25,816,455 in 2011 due to an increase in rates charged to GBMSD's municipal customers. Also, the non-operating revenues, which represent investment earnings decreased by \$280,105 to \$1,248,244 in 2011 from \$1,548,349 in 2010. This decrease is primarily due to the general decrease in interest rates during 2011.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

GBMSD's operating revenues increased by \$1,108,031 to \$21,888,491 in 2010 due to an increase in flows and loads from GBMSD's municipal customers. Also, the non-operating revenues, which represent investment earnings decreased by \$506,722 to \$1,528,349 in 2010 from \$2,035,071 in 2009. This decrease is primarily due to the general decrease in interest rates during 2010.

BUDGETARY HIGHLIGHTS

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

The following is a summary of the 2012 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	<u>\$28,125,668</u>	<u>\$25,970,223</u>	<u>\$(2,155,445)</u>
Expenses:			
Salaries and benefits	9,228,664	9,187,942	40,722
Power	2,912,339	2,277,045	635,294
Contracted services	2,032,124	1,458,657	573,467
Maintenance - plant	1,133,352	1,282,110	(148,758)
Chemicals	991,888	687,749	304,139
Natural gas and fuel oil	1,463,540	1,116,351	347,189
Solid waste disposal	566,196	164,283	401,913
Maintenance - Interceptors	446,990	395,981	51,009
Office related expenses	295,665	261,948	33,717
Insurance	172,386	162,946	9,440
Supplementary expenses	393,383	345,514	47,869
Employee development	153,108	102,302	50,806
Travel and meetings	84,350	49,751	34,599
Total Expenses	<u>19,873,985</u>	<u>17,492,579</u>	<u>2,381,406</u>
Net change	<u>\$ 8,251,683</u>	<u>\$ 8,477,644</u>	<u>\$ 225,961</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

The following is a summary of the 2011 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	<u>\$25,231,650</u>	<u>\$25,816,455</u>	<u>\$ 584,805</u>
Expenses:			
Salaries and benefits	9,885,115	9,352,135	532,980
Power	2,661,890	2,371,741	290,149
Contracted services	2,074,046	1,638,178	435,868
Maintenance - plant	1,258,320	1,376,338	(118,018)
Chemicals	861,921	633,176	228,745
Natural gas and fuel oil	1,404,410	1,205,536	198,874
Solid waste disposal	545,187	207,481	337,706
Maintenance - Interceptors	231,299	152,880	78,419
Office related expenses	292,534	232,164	60,370
Insurance	179,219	135,304	43,915
Supplementary expenses	345,692	318,322	27,370
Employee development	129,640	86,316	43,324
Travel and meetings	85,576	44,847	40,729
Total Expenses	<u>19,954,849</u>	<u>17,754,418</u>	<u>2,200,431</u>
Net change	<u>\$ 5,276,801</u>	<u>\$ 8,062,037</u>	<u>\$2,785,236</u>

The following is a summary of the 2010 budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	<u>\$22,172,581</u>	<u>\$21,888,491</u>	<u>\$ (284,090)</u>
Expenses:			
Salaries and benefits	9,928,167	9,882,941	45,226
Power	2,581,866	2,562,269	19,597
Contracted services	1,705,836	946,730	759,106
Maintenance - plant	1,155,330	1,097,363	57,967
Chemicals	1,137,726	790,676	347,050
Natural gas and fuel oil	1,102,883	1,036,468	66,415
Solid waste disposal	463,451	414,616	48,835
Maintenance - Interceptors	193,371	211,658	(18,287)
Office related expenses	345,440	236,027	109,413
Insurance	235,000	192,689	42,311
Supplementary expenses	324,766	306,714	18,052
Employee development	161,359	82,080	79,279
Travel and meetings	30,850	53,201	(22,351)
Total Expenses	<u>19,366,045</u>	<u>17,813,432</u>	<u>1,552,613</u>
Net change	<u>\$ 2,806,536</u>	<u>\$ 4,075,059</u>	<u>\$1,268,523</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

CAPITAL ASSETS

At the end of 2012, GBMSD had \$287.9 million invested in capital assets including two treatment plants and interceptors. The decrease in construction in process is reflective of the multiple capital projects capitalized during 2012. In addition, GBMSD continues to make progress on reconciliation of its capital asset data base to the general ledger and accordingly, the classification and capitalization of assets improved during the year.

At the end of 2011, GBMSD had \$281.8 million invested in capital assets including two treatment plants and interceptors. The increase in construction in process is reflective of the multiple capital projects initiated and ongoing during 2011, including plant upgrades and interceptor repairs.

At the end of 2010, GBMSD had \$273.2 million invested in capital assets including two treatment plants and interceptors. The increase in construction and process is reflective of the multiple capital projects initiated during 2010, including plant upgrades and interceptor repairs.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 3,886,764	\$ 3,827,053	\$ 3,827,053
Structures	102,360,674	75,267,337	74,001,116
Machinery and equipment	88,473,183	85,883,214	74,456,758
Furniture and fixtures	527,133	820,622	991,960
Autos and trucks	1,111,119	1,044,619	615,806
Interceptors	75,030,005	69,719,780	68,653,321
Amortizable assets	793,441	765,033	760,807
Construction in process	<u>15,670,127</u>	<u>44,445,279</u>	<u>49,922,221</u>
Sub-totals	287,852,446	281,772,937	273,229,042
Less: Accumulated depreciation	<u>108,766,601</u>	<u>104,894,230</u>	<u>100,543,972</u>
Net Property & Equipment	<u>\$ 179,085,845</u>	<u>\$ 176,878,707</u>	<u>\$ 172,685,070</u>

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

DEBT ADMINISTRATION

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

Indebtedness outstanding at December 31, 2012, 2011, and 2010 amounted to \$61.8 million, 64.3 million, and \$61.6 million, respectively. This balance includes funds received by GBMSD through the State of Wisconsin Clean Water Fund Loan program, which has replaced grant funding for the construction of wastewater treatment facilities. Interest on these loans is payable semi-annually at rates of 2.365 – 5.00%. More detailed information about GBMSD's long-term liabilities is presented in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

**BUDGET RATE HISTORY
Municipal Rate History**

<u>Fiscal Year</u>	<u>Volume (Per 1,000 gals)</u>	<u>BOD (Per Lb.)</u>	<u>Suspended Solids (Per Lb.)</u>	<u>Phosphorus (Per Lb.)</u>	<u>TKN (Per Lb.)</u>
2008	0.51271	0.19526	0.20291	0.83148	0.46411
2009	0.53679	0.21044	0.20719	0.85349	0.53473
2010	0.61640	0.20704	0.23233	0.82987	0.67116
2011	0.71112	0.23857	0.26360	0.70698	0.87221
2012	0.84274	0.26511	0.29365	0.48596	0.76667

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

Mill Rate History

<u>Fiscal Year</u>	<u>Volume (Per 1,000 gals)</u>	<u>BOD (Per Lb.)</u>	<u>Suspended Solids (Per Lb.)</u>	<u>Phosphorus (Per Lb.)</u>	<u>TKN (Per Lb.)</u>
2008	0.37286	0.17038	0.20054	0.82603	0.45258
2009	0.40517	0.18287	0.20402	0.84653	0.51832
2010	0.42111	0.16810	0.21243	0.78548	0.56928
2011	0.43660	0.17744	0.22522	0.61497	0.66935
2012	0.47128	0.18786	0.20413	0.36372	0.55581

GBMSD is currently in the process of building a new solids handling facility which has an estimated project budget of \$147 million. GBMSD embarked on this project, known as Resource Recovery and Electrical Energy (R2E2) for three main reasons: to replace aging infrastructure; to comply with stricter environmental standards, and to meet needs for increased capacity. R2E2's project concept was agreed upon through a community-wide effort, and represents a new attitude, of viewing what is sent as a resource to be recovered, rather than a waste with which to dispose. This project involves building two anaerobic digesters, which break down biodegradable material in the absence of oxygen, and reduce the volume of material to be processed. In addition, the digesters will produce a methane gas, which will be captured and processed into a biofuel and used to produce electricity. It is estimated that energy costs will be halved during the first year. Currently in the technical design phase, R2E2 is expected to go online in 2017.

GBMSD CONTACT INFORMATION

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,140,503	\$ 5,564,883
Receivables		
Sewage treatment service	3,560,250	3,561,140
Other	91,491	87,173
Inventories	1,019,250	997,924
Prepaid items	210,741	191,983
Total current assets	<u>11,022,235</u>	<u>10,403,103</u>
RESTRICTED ASSETS		
Cash and cash equivalents	18,231,004	9,114,028
Investments	30,874,958	37,932,945
Accrued interest receivable	280,921	329,880
Accounts receivable - debt	1,031,158	821,368
Accounts receivable - construction	1,817,570	-
Interceptor cost recovery, current portion	1,414,370	1,406,454
Interceptor cost recovery, long-term portion	11,495,546	13,089,651
Industrial contributions receivable	1,019,238	1,359,680
Total restricted assets	<u>66,164,765</u>	<u>64,054,006</u>
CAPITAL ASSETS		
Wastewater treatment facilities	193,350,634	163,806,198
Interceptor sewers	78,831,685	73,521,460
Total, at cost	<u>272,182,319</u>	<u>237,327,658</u>
Accumulated depreciation	108,766,601	104,894,230
Construction in progress	15,670,127	44,445,279
Total capital assets	<u>179,085,845</u>	<u>176,878,707</u>
TOTAL ASSETS	<u>256,272,845</u>	<u>251,335,816</u>

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 763,218	\$ 719,954
Accrued salaries	174,970	125,939
Accrued compensated absences, current portion	374,125	346,523
Other accrued liabilities	<u>105,381</u>	<u>119,007</u>
Total current liabilities	<u>1,417,694</u>	<u>1,311,423</u>
 LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts payable	4,284,720	628,638
Current maturities of long-term debt	4,883,059	4,702,750
Accrued interest payable	<u>324,808</u>	<u>321,272</u>
Total current liabilities payable from restricted assets	<u>9,492,587</u>	<u>5,652,660</u>
 LONG-TERM LIABILITIES		
General obligation long-term debt, less current maturities	56,886,101	59,587,949
Compensated absences	<u>1,183,824</u>	<u>1,224,936</u>
Total long-term liabilities	<u>58,069,925</u>	<u>60,812,885</u>
 Total liabilities	<u>68,980,206</u>	<u>67,776,968</u>
 NET POSITION		
Invested in capital assets, net of related debt	117,316,685	112,588,008
Restricted for		
Equipment and interceptor replacement	50,517,091	53,404,415
Debt retirement	<u>12,770,377</u>	<u>10,328,319</u>
Unrestricted	<u>6,688,486</u>	<u>7,238,106</u>
 Total Net Position	<u>\$ 187,292,639</u>	<u>\$ 183,558,848</u>

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES	\$ 25,970,223	\$ 25,816,455
OPERATING EXPENSES	<u>23,804,936</u>	<u>24,206,414</u>
Operating income (loss)	<u>2,165,287</u>	<u>1,610,041</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	827,897	1,248,244
Loss on disposal of capital assets	(1,058,481)	(291,875)
Interest expense	<u>(1,971,778)</u>	<u>(1,543,309)</u>
Total non-operating revenues (expenses)	<u>(2,202,362)</u>	<u>(586,940)</u>
Income (loss) before capital contributions	(37,075)	1,023,101
CAPITAL CONTRIBUTIONS	<u>3,770,866</u>	<u>4,763,740</u>
CHANGE IN NET POSITION	3,733,791	5,786,841
NET POSITION, BEGINNING OF YEAR (Restated)	<u>183,558,848</u>	<u>177,772,007</u>
NET POSITION, END OF YEAR	<u>\$ 187,292,639</u>	<u>\$ 183,558,848</u>

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 25,757,005	\$ 24,865,356
Paid to suppliers	(8,301,457)	(8,740,905)
Payments to employees	(9,166,047)	(9,409,936)
Net cash provided by operating activities	<u>8,289,501</u>	<u>6,714,515</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt	2,188,279	8,932,965
Payments on long-term debt	(4,709,818)	(6,249,836)
Interest paid on long-term debt	(1,968,242)	(2,001,841)
Acquisition and construction of capital assets	(5,921,894)	(13,594,154)
Proceeds from the sale of capital assets	-	8,250
Interceptor cost recovery income	2,229,012	1,556,757
Capital contributions received	<u>1,650,915</u>	<u>4,976,271</u>
Net cash used in capital and related financing activities	<u>(6,531,748)</u>	<u>(6,371,588)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	876,856	678,525
Purchase of investments	(10,359,268)	(15,469,410)
Proceeds from sales and maturities of investments	<u>17,417,255</u>	<u>15,838,819</u>
Net cash provided by investing activities	<u>7,934,843</u>	<u>1,047,934</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,692,596	1,390,861
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,678,911</u>	<u>13,288,050</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 24,371,507</u>	<u>\$ 14,678,911</u>

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
TO STATEMENT OF NET POSITION		
Unrestricted	\$ 6,140,503	\$ 5,564,883
Restricted	<u>18,231,004</u>	<u>9,114,028</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 24,371,507</u>	<u>\$ 14,678,911</u>
Reconciliation of operating income to net cash		
provided by operating activities		
Operating income	\$ 2,165,287	\$ 1,610,041
Adjustments to reconcile operating income		
to net cash provided by operating activities		
Depreciation	6,312,357	6,451,996
Effects of changes in operating assets		
and liabilities		
Accounts receivable	(213,218)	(951,099)
Inventories	(21,326)	44,200
Prepaid items	(18,758)	(10,910)
Accounts payable	43,264	(371,912)
Accrued salaries and other liabilities	35,405	40,316
Compensated absences	<u>(13,510)</u>	<u>(98,117)</u>
Net cash provided by operating activities	<u>\$ 8,289,501</u>	<u>\$ 6,714,515</u>

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A summary of significant accounting policies follows:

Basis of Accounting

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

Use of Estimates

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash equivalents

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

Investments

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

Accounts Receivable

Accounts receivable is composed of charges to customers for wastewater services and debt service. Receivables are reported at their gross values and are considered to be fully collectible as they are primarily due from municipalities. As such, no allowance for uncollectible customer accounts is considered necessary.

Inventories

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

Prepaid Items

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

Restricted Assets

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Capital assets of GBMSD are recorded at cost or the fair market value at the time of contribution to GBMSD. Major outlays for plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested debt proceeds over the same period. Capitalized interest was \$0 and \$428,487 for 2012 and 2011, respectively.

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

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

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

Compensated Absences

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

Long-Term Obligations

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

Revenues and Expenses

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

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

Capital Contributions

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of December 31, 2012 and 2011, cash, cash equivalents, and investments included the following:

	2012	2011
Petty cash	\$ 75	\$ 200
Demand deposits		
Checking account	1,959,813	1,775,701
Money market accounts	7,094,886	4,645,848
Money market fund	15,269,671	8,210,175
Local Government Investment Pool	47,062	46,987
U.S. Agency securities	4,022,040	14,110,360
Mortgage backed securities	892,900	2,294,295
Municipal bonds	12,113,628	5,392,130
Corporate bonds	13,846,390	16,136,160
Total cash, cash equivalents, and investments	<u>\$ 55,246,465</u>	<u>\$ 52,611,856</u>
Reconciliation to the financial statements:		
Cash and cash equivalents		
Unrestricted	\$ 6,140,503	\$ 5,564,883
Restricted	18,231,004	9,114,028
Investments		
Restricted	30,874,958	37,932,945
Total cash, cash equivalents, and investments	<u>\$ 55,246,465</u>	<u>\$ 52,611,856</u>

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts. The FDIC created the Temporary Liquidity Guarantee Program. One element of that program provides for an unlimited guarantee by the FDIC of funds held in an insured depository institution in non-interest-bearing transaction deposit accounts through December 31, 2012. This guarantee is over and above the \$250,000 coverage on all interest bearing deposit accounts. As of January 1, 2013, FDIC coverage was reduced to \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2012, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

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

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

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

Investment Policy

Investment of GBMSD funds is restricted by Wisconsin Statutes to:

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

GBMSD's investment policy requires the following:

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

Interest Rate Risk

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2012, GBMSD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in Years</u>		
		<u>1</u>	<u>1-5</u>	<u>6-10</u>
Money market fund	\$ 15,269,671	\$ 15,269,671	\$ -	\$ -
LGIP	47,062	47,062	-	-
Federal National Mortgage Association (FNMA)	2,013,280	-	2,013,280	-
Federal Home Loan Mortgage Corporation Note (FHLMC)	2,008,760	2,008,760	-	-
Federal Home Loan Mortgage Corporation Pool (FHLMC)	892,900	201,190	691,710	-
Municipal Bonds	12,113,628	5,084,480	7,029,148	-
Corporate Bonds	13,846,390	1,014,430	12,831,960	-
	<u>\$ 46,191,691</u>	<u>\$ 23,625,593</u>	<u>\$ 22,566,098</u>	<u>\$ -</u>

As of December 31, 2011, GBMSD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity in Years</u>		
		<u>< 1</u>	<u>1-5</u>	<u>6-10</u>
Money market fund	\$ 8,210,175	\$ 8,210,175	\$ -	\$ -
LGIP	46,987	46,987	-	-
Federal Farm Credit Bank (FFCB)	-	-	-	-
Federal Home Loan Bank (FHLB)	2,010,640	2,010,640	-	-
Federal National Mortgage Association (FNMA)	10,019,460	4,005,180	6,014,280	-
Federal Home Loan Mortgage Corporation Note (FHLMC)	2,080,260	-	2,080,260	-
Federal Home Loan Mortgage Corporation Pool (FHLMC)	2,294,295	419,210	1,875,085	-
Municipal Bonds	5,392,130	-	5,392,130	-
Corporate Bonds	16,136,160	2,053,900	14,082,260	-
	<u>\$ 46,190,107</u>	<u>\$ 16,746,092</u>	<u>\$ 29,444,015</u>	<u>\$ -</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

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

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2012 and 2011, GBMSD's investments in corporate bonds were rated as follows:

Rating Agency	Rating	Fair Value	
		2012	2011
Moody's	AA3	\$ 4,292,260	\$ 5,458,620
Moody's	AA2	2,022,520	4,130,380
S&P	AA	2,205,640	-
S&P	AA-	-	2,230,880
Moody's	A1	4,311,540	2,262,380
Moody's	A2	1,014,430	2,053,900
		<u>\$ 13,846,390</u>	<u>\$ 16,136,160</u>

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

Rating Agency	Rating	Fair Value	
		2012	2011
Moody's	AAA	\$ 2,747,455	\$ 999,250
Moody's	AA3	2,000,880	-
Moody's	AA2	4,221,493	2,166,600
Moody's	AA1	3,143,800	2,226,280
		<u>\$ 12,113,628</u>	<u>\$ 5,392,130</u>

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

Concentration of Credit Risk

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

As of December 31, 2012, GBMSD had no investments in securities, which represented over 5% in a single issuer.

As of December 31, 2011, GBMSD held investments in the following securities, which represents over 5% in a single issuer:

<u>Issuer</u>	<u>% of Investments</u>
FNMA	22%
FHLMC	10%
New York City, NY Transitional Taxable Bonds	5%
Milwaukee County, WI Taxable Pension Bonds	5%
CME Group Inc.	5%
Merck & Co.	5%
Pfizer Inc.	5%
General Electric Cap Corp.	5%
Genetech, Inc.	5%

Custodial Credit Risk

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

All of GBMSD's U.S. Government and Agency obligations are uninsured and unregistered investments for which the investments are held by the counterparty's trust department or agent in GBMSD's name. The LGIP is not subject to the custodial credit risk.

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

GBMSD's investment policy requires that all security transactions are conducted on a delivery-versus-payment basis and that all securities are held by a third party custodian in GBMSD's name evidenced by safekeeping receipts. GBMSD does not have any investments exposed to custodial credit risk at either December 31, 2012 or 2011.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - RESTRICTED ASSETS

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

Cash, cash equivalents, and investments

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

Receivables

- Accrued interest receivable on the restricted investments is also reported as a restricted asset.
- Accounts receivable for debt represents amounts due from parties to the Tripartite Agreement for debt service.
- Accounts receivable for industrial contributions represents amounts due from an industrial customer for the construction of a force main.

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - RESTRICTED ASSETS (CONTINUED)

The following accounts are reported as restricted assets:

	2012			
	Equipment and Interceptor Replacement	Debt Retirement	Construction	Total
Cash, cash equivalents and investments	\$ 37,358,490	\$ 11,012,553	\$ 734,919	\$ 49,105,962
Receivables				280,921
Accrued interest receivable	248,685	32,236	-	280,921
Accounts receivable	-	1,031,158	1,817,570	2,848,728
Interceptor cost recovery	12,909,916	-	-	12,909,916
Industrial contributions receivable	-	1,019,238	-	1,019,238
Total restricted assets	\$ 50,517,091	\$ 13,095,185	\$ 2,552,489	\$ 66,164,765

	2011			
	Equipment and Interceptor Replacement	Debt Retirement	Construction	Total
Cash, cash equivalents and investments	\$ 38,617,852	\$ 8,429,121	\$ -	\$ 47,046,973
Receivables				329,880
Accrued interest receivable	290,458	39,422	-	329,880
Accounts receivable	-	821,368	-	821,368
Interceptor cost recovery	14,496,105	-	-	14,496,105
Industrial contributions receivable	-	1,359,680	-	1,359,680
Total restricted assets	\$ 53,404,415	\$ 10,649,591	\$ -	\$ 64,054,006

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Construction In Progress Reclassifications	Other Reclassifications	Retirements	Ending Balance
Wastewater Treatment Facilities						
Capital assets not being depreciated	\$ 708,857	\$ -	\$ -	\$ -	\$ -	\$ 708,857
Land	34,126,786	5,910,662	(29,351,151)	-	-	10,686,297
Construction in process	34,833,643	5,910,662	(29,351,151)	-	-	11,393,154
Total capital assets not being depreciated						
Capital assets being depreciated	3,120,195	-	247,390	(187,679)	-	3,179,907
Land improvements	71,482,367	-	15,448,250	12,317,550	673,463	98,575,704
Structures and equipment	85,869,504	-	11,523,689	(6,507,551)	2,426,179	88,456,473
Machinery and equipment	820,622	-	-	-	293,489	527,133
Furniture and fixtures	1,044,819	-	87,638	-	21,138	1,111,119
Autos and trucks	765,033	-	553,022	(524,814)	-	793,441
Amortizable assets	163,099,341	-	27,850,999	5,097,706	3,414,269	192,643,777
Total capital assets being depreciated						
Accumulated depreciation	2,218,424	118,535	-	-	-	2,336,959
Land improvements	38,519,280	2,492,950	-	-	530,891	40,481,539
Structures and equipment	45,853,478	3,074,382	-	-	1,555,718	47,372,142
Machinery and equipment	639,535	(35,124)	-	-	272,934	331,577
Furniture and fixtures	340,277	77,977	-	-	21,138	397,116
Autos and trucks	725,616	89,431	-	-	-	815,049
Amortizable assets	88,296,712	5,818,151	-	-	2,380,481	91,734,382
Total accumulated depreciation						
Total capital assets being depreciated, net	74,802,629	(5,818,151)	27,850,999	5,097,706	1,033,788	100,909,395
Total wastewater treatment facilities capital assets	109,636,272	92,511	(1,490,152)	5,097,706	1,033,788	112,302,549
Interceptor Sewers						
Capital assets not being depreciated	-	-	-	-	-	-
Land	10,318,493	3,667,315	(9,001,978)	-	-	4,983,830
Construction in process	10,318,493	3,667,315	(9,001,978)	-	-	4,983,830
Total capital assets not being depreciated						
Capital assets being depreciated	-	-	-	-	-	-
Land improvements	3,784,970	-	-	-	-	3,784,970
Structures	16,710	-	-	-	-	16,710
Machinery and equipment	69,719,780	-	10,492,130	(5,097,706)	84,199	75,039,005
Interceptors	73,521,460	-	10,492,130	(5,097,706)	84,199	78,831,695
Total capital assets being depreciated						
Accumulated depreciation	-	-	-	-	-	-
Land improvements	1,746,640	(153,631)	-	-	-	1,593,009
Structures	-	-	-	-	59,506	15,439,210
Machinery and equipment	14,850,878	647,838	-	-	59,506	17,032,219
Interceptors	16,597,518	494,207	-	-	-	17,091,725
Total accumulated depreciation						
Total capital assets being depreciated, net	55,923,942	(494,207)	10,492,130	(5,097,706)	24,693	61,799,466
Total interceptor-sewers capital assets	67,242,435	3,173,108	1,490,152	(5,097,706)	24,693	66,783,296
Net capital assets	\$ 176,878,707	\$ 3,265,618	\$ -	\$ -	\$ 1,058,481	\$ 179,085,845

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for GBMSD for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reclassifications	Retirements	Ending Balance
Wastewater Treatment Facilities					
Capital assets not being depreciated	\$ 706,857	\$ -	\$ -	\$ -	\$ 706,857
Land	43,848,013	5,242,006	(14,963,233)	-	34,126,786
Construction in process	44,554,870	5,242,006	(14,963,233)	-	34,833,643
Total capital assets not being depreciated					
Capital assets being depreciated	3,120,196	-	-	-	3,120,196
Land improvements	70,267,145	-	1,240,646	25,425	71,482,367
Structures and equipment	74,440,528	8,847	13,180,238	1,743,109	85,866,504
Machinery and equipment	991,980	-	29,175	200,513	820,622
Furniture and fixtures	615,805	-	528,948	100,135	1,044,519
Autos and trucks	760,807	-	4,226	-	765,033
Amortizable assets	150,195,443	8,847	14,963,233	2,069,182	163,099,341
Total capital assets being depreciated					
Accumulated depreciation	2,084,454	135,508	-	2,538	2,218,424
Land improvements	36,455,251	2,088,904	-	24,875	38,519,280
Structures and equipment	44,339,090	3,121,845	-	1,807,457	45,853,478
Machinery and equipment	779,032	46,791	-	186,188	639,635
Furniture and fixtures	359,800	78,650	-	98,173	340,277
Autos and trucks	721,067	4,551	-	-	725,618
Amortizable assets	84,738,694	5,477,249	-	1,919,231	88,295,712
Total accumulated depreciation					
Total capital assets being depreciated, net	65,457,749	(5,468,402)	14,963,233	149,951	74,802,629
Total wastewater treatment facilities capital assets	110,012,619	(226,396)	-	149,951	109,636,272
Interceptor Sewers					
Capital assets not being depreciated					
Land	6,074,208	5,482,156	(1,237,871)	-	10,318,493
Construction in process	6,074,208	5,482,156	(1,237,871)	-	10,318,493
Total capital assets not being depreciated					
Capital assets being depreciated	-	-	-	-	-
Land improvements	3,733,970	-	51,000	-	3,784,970
Structures	16,230	-	480	-	16,710
Machinery and equipment	68,653,321	86,708	1,186,391	206,640	69,719,780
Interceptors	72,403,521	86,708	1,237,871	206,640	73,521,460
Total capital assets being depreciated					
Accumulated depreciation	-	-	-	-	-
Land improvements	1,672,224	74,416	-	-	1,746,640
Structures	-	-	-	-	-
Machinery and equipment	14,133,054	900,331	-	182,507	14,850,878
Interceptors	15,805,278	874,747	-	182,507	16,597,518
Total accumulated depreciation					
Total capital assets being depreciated, net	56,598,243	(888,039)	1,237,871	24,133	56,923,942
Total interceptor sewers capital assets	62,672,451	4,594,117	-	24,133	67,242,435
Net capital assets	\$ 172,685,070	\$ 4,367,721	\$ -	\$ 174,084	\$ 176,878,707

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - INTERCEPTOR COST RECOVERY RECEIVABLE

GBMSD has agreements with various municipal customers in which the municipalities have agreed to reimburse GBMSD for the cost of interceptors owned by GBMSD whose capacity has been allocated to the municipalities. Annual repayments on the receivables for the year ended December 31, 2012 are as follows:

Year	Total
2013	\$ 1,414,370
2014	1,433,091
2015	1,452,608
2016	1,266,775
2017	1,287,611
Thereafter	6,055,461
Total	<u>\$ 12,909,916</u>

NOTE 6 - LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2012 was as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Long-term Debt					
General obligation bonds/notes	\$ 13,952,067	\$ -	\$ 1,282,025	\$ 12,670,042	\$ 1,268,035
Promissory note	1,739,302	-	73,520	1,665,782	77,196
Clean Water Fund Loans	48,599,330	2,188,279	3,354,273	47,433,336	3,537,828
Total long-term debt	64,290,699	2,188,279	4,709,818	61,769,160	4,883,059
Compensated absences	1,571,459	-	13,510	1,557,949	374,125
Total long-term liabilities	<u>\$ 65,862,158</u>	<u>\$ 2,188,279</u>	<u>\$ 4,723,328</u>	<u>\$ 63,327,109</u>	<u>\$ 5,257,184</u>

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Long-term Debt					
General obligation bonds/notes	\$ 15,109,859	\$ -	\$ 1,157,792	\$ 13,952,067	\$ 1,282,025
Promissory note	1,809,321	-	70,019	1,739,302	73,520
Clean Water Fund Loans	44,688,390	8,932,965	5,022,025	48,599,330	3,347,205
Total long-term debt	61,607,570	8,932,965	6,249,836	64,290,699	4,702,750
Compensated absences	1,669,576	-	98,117	1,571,459	346,523
Total long-term liabilities	<u>\$ 63,277,146</u>	<u>\$ 8,932,965</u>	<u>\$ 6,347,953</u>	<u>\$ 65,862,158</u>	<u>\$ 5,049,273</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following issues are outstanding as of December 31, 2012 and 2011:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/12	Balance 12/31/11
General Obligation Bond	1/1/2002	5/1/2016	3.25 - 4.60%	\$ 7,000,000	\$ 2,295,000	\$ 2,805,000
General Obligation Bond	9/15/2008	5/1/2028	4.339%	10,000,000	9,590,000	10,000,000
Promissory Note	12/28/2007	12/28/2027	5.000%	2,000,000	1,665,782	1,739,302
General Obligation Note	5/29/2009	5/1/2014	3.500%	1,703,308	721,196	1,058,737
Note Payable	2/1/1995	3/15/2015	3.540%	339,221	63,847	88,331
Clean Water Fund loans	6/23/1993	5/1/2013	3.795%	5,007,128	361,916	710,599
Clean Water Fund loans	11/26/1996	5/1/2016	3.080%	5,185,113	1,306,962	1,609,665
Clean Water Fund loans	4/25/1999	5/1/2018	2.640%	2,737,735	1,014,759	1,168,991
Clean Water Fund loans	10/25/2000	5/1/2020	3.432%	1,924,428	927,680	1,027,006
Clean Water Fund loans	12/13/2000	5/1/2020	2.970%	2,147,480	1,018,031	1,129,331
Clean Water Fund loans	7/11/2001	5/1/2021	3.175%	2,051,291	789,180	863,936
Clean Water Fund loans	7/11/2001	5/1/2021	3.355%	1,430,306	503,229	550,467
Clean Water Fund loans	2/28/2002	5/1/2021	2.881%	647,809	363,024	397,925
Clean Water Fund loans	12/8/2004	5/1/2024	2.365%	5,043,088	3,684,524	3,947,431
Clean Water Fund loans	4/13/2005	5/1/2024	2.365%	2,561,833	1,910,870	2,047,219
Clean Water Fund loans	12/31/2007	5/1/2017	3.173%	513,964	277,010	327,406
Clean Water Fund loans	12/31/2007	5/1/2021	2.933%	2,964,669	2,040,524	2,236,190
Clean Water Fund loans	12/31/2007	5/1/2020	3.150%	2,323,581	1,538,698	1,705,559
Clean Water Fund loans	12/31/2007	5/1/2020	2.668%	10,460,782	8,634,117	9,062,374
Clean Water Fund loans	2/23/2009	5/1/2028	2.910%	4,603,511	4,031,708	4,071,302
Clean Water Fund loans	12/9/2009	5/1/2029	2.910%	12,821,922	11,813,615	11,434,470
Clean Water Fund loans	12/9/2009	5/1/2029	2.400%	176,648	3,159,494	3,298,558
Clean Water Fund loans	11/10/2010	5/1/2030	2.400%	1,799,331	3,043,534	3,010,900
Clean Water Fund loans	12/22/2010	5/1/2030	2.625%	3,146,593	1,014,460	-
Clean Water Fund loans	12/12/2012	5/1/2032				
Total long-term debt					<u>\$61,769,160</u>	<u>\$64,290,699</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The debt service requirements for all debt outstanding as of December 31, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,883,059	\$ 1,856,783	\$ 6,739,842
2014	4,665,607	1,708,894	6,374,501
2015	4,639,847	1,557,401	6,197,248
2016	4,630,881	1,405,561	6,036,442
2017	3,785,209	1,274,451	5,059,660
2018 - 2022	18,167,928	4,664,422	22,832,350
2023 - 2027	15,683,982	2,078,140	17,762,122
2028 - 2032	5,312,647	160,244	5,472,891
Total	<u>\$61,769,160</u>	<u>\$14,705,896</u>	<u>\$76,475,056</u>

NOTE 7 - NET POSITION

Net position for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Invested in capital assets, net of related debt:		
Capital assets, net of accumulated depreciation	\$ 179,085,845	\$ 176,878,707
Capital related long-term debt outstanding	<u>(61,769,160)</u>	<u>(64,290,699)</u>
	<u>117,316,685</u>	<u>112,588,008</u>
Restricted:		
Equipment and interceptor replacement	50,517,091	53,404,415
Debt retirement	<u>12,770,377</u>	<u>10,328,319</u>
	<u>63,287,468</u>	<u>63,732,734</u>
Unrestricted	<u>6,688,486</u>	<u>7,238,106</u>
Total Net Position	<u>\$ 187,292,639</u>	<u>\$ 183,558,848</u>

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM

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

Covered employees are required to contribute one half of the actuarially determined contribution rate for general category employees, executives and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employer</u>	<u>Employee</u>
General	5.90%	5.90%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.90%	9.00%
Protective without Social Security	5.90%	11.30%

Total GBMSD payroll, covered payroll, and contributions for 2012, 2011, and 2010 are as follows:

	Year ended December 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total GBMSD payroll	\$6,519,655	\$6,546,262	\$7,151,347
Total covered employee payroll	6,419,837	6,302,076	6,565,214
Total required contributions	732,954	731,041	722,174
Total required contributions (%)	11.8%	11.6%	11.0%

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

At December 31, 2012 and 2011, GBMSD had commitments under a long-term contract for sewage treatment service with two large industrial customers. The contract payments are based on the customer's usage and a proportionate share of debt service costs for the year.

GBMSD has signed construction contracts that continue into subsequent years. The value of services provided and the corresponding liability as of December 31, 2012 has been accrued in the financial statements. Remaining contract amounts are approximately \$13,575,000.

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

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

NOTE 10 - RISK MANAGEMENT

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

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 11 - BASIS OF EXISTING RATES

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

NOTE 12 - RESTATEMENT

GBMSD adopted GASB Statement No. 63 *Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Recognized as Assets and Liabilities* as of January 1, 2012. GASB Statement No. 63 impacted financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. GASB Statement No. 65 impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The impact of adoptions of these statements resulted in the Statement of Net Assets becoming the Statement of Net Position. Net position has been restated as follows:

Net position January 1, 2011, as previously reported	\$ 177,864,840
Restatement to recognize debt issue costs as expense at the time of debt issuance	<u>(92,833)</u>
Net position January 1, 2011, as restated	<u>\$ 177,772,007</u>

This change also results in a decrease in assets of \$86,419 and an increase in the change in net position for 2011 of \$6,414.

NOTE 13 - SUBSEQUENT EVENTS

On February 21, 2013, GBMSD filed a lawsuit seeking to recover amounts billed to an industrial customer for debt service charges of approximately \$1 million.

Management evaluated subsequent events through March 27, 2013, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior to March 27, 2013 that provided additional evidence about condition that existed at December 31, 2012, have been recognized in the financial statements for the year ended December 31, 2012. Events or transactions that provided evidence about conditions that did not exist at December 31, 2012 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2012.

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

SUPPLEMENTARY INFORMATION

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
SCHEDULE OF OPERATING REVENUES AND EXPENSES
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
User fees - municipal waste	\$ 22,745,416	\$ 22,338,254
User fees - mill waste	1,257,105	1,433,351
Capital revenue - mills	1,158,473	811,652
Other revenues	809,229	1,233,198
Total operating revenues	<u>25,970,223</u>	<u>25,816,455</u>
 OPERATING EXPENSES		
Salaries and wages	6,658,141	6,463,906
Fringe benefits	2,529,801	2,888,229
Employee development	102,302	86,316
Travel and meetings	49,751	44,847
Power	2,277,045	2,371,741
Natural gas and fuel oil	1,116,351	1,205,536
Chemicals	687,749	633,176
Maintenance - plant	1,282,110	1,376,338
Maintenance - interceptors	395,981	152,880
Contracted services	1,458,657	1,638,178
Insurance	162,946	135,304
Solid waste disposal	164,283	207,481
Office related expenses	261,948	232,164
Supplementary expenses	345,514	318,322
Subtotal	<u>17,492,579</u>	<u>17,754,418</u>
Depreciation	6,312,357	6,451,996
Total operating expenses	<u>23,804,936</u>	<u>24,206,414</u>
 Operating income (loss)	 <u>\$ 2,165,287</u>	 <u>\$ 1,610,041</u>



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

We have audited the financial statements of Green Bay Metropolitan Sewerage District (GBMSD) for the years ended December 31, 2012 and 2011, and have issued our report thereon dated March 27, 2013. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by GBMSD are described in Note 1 to the financial statements.

As described in Note 12, GBMSD changed accounting policies related to debt issuance costs by adopting GASB Statement No. 63 *Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Recognized as Assets and Liabilities* as of January 1, 2012. GASB Statement No. 63 impacted financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. GASB Statement No. 65 impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:



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- Management's estimate of depreciation expense is based on assets identified in a capital assets database. The assets in the database do not reconcile to the accounting records. We evaluated the key factors and assumptions used to develop the depreciation expense and have qualified our opinion on the financial statements related to the amounts reported as capital assets and related depreciation expense.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

The attached summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated March 27, 2013.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information listed within the table of contents of the report, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated March 27, 2013.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This information is intended solely for the use of the Board of Commissioners and management of Green Bay Metropolitan Sewerage District and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 27, 2013

Client: 039-00544700 - Green Bay Metropolitan Sewerage District
Engagement: AUD - Green Bay Metropolitan Sewerage District
Period Ending: 12/31/2012
Trial Balance: 0910.00 - GBMSD
Workpaper: 0920.10 - Adjusting Journal Entries Report

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 2			
Record receivable for costs related to Hwy 41 project to be reimbursed by the DOT			
114500-00	A/R - Miscellaneous	1,817,570.00	
440200-00	Contributed Capital		1,817,570.00
Total		<u>1,817,570.00</u>	<u>1,817,570.00</u>
Adjusting Journal Entries JE # 3			
Reclassify payment from City of DePere for rehab of Ashwabenon Creek interceptor			
114500-00	A/R - Miscellaneous	841,805.00	
440200-00	Contributed Capital		841,805.00
Total		<u>841,805.00</u>	<u>841,805.00</u>
Adjusting Journal Entries JE # 4			
Correct credit balance in account 115000-02 that was recorded in the wrong account and reclassify accounts receivable from Georgia Pacific for debt			
115000-02	A/R - Sewage Treatment	240,033.00	
115700-02	A/R - Other	97,487.00	
115700-00	A/R - Other		97,487.00
115700-00	A/R - Other		240,033.00
Total		<u>337,520.00</u>	<u>337,520.00</u>
Adjusting Journal Entries JE # 7			
Write off debt issuance cost for implementation of GASB statement #65			
310400-00	R/E - Unreserved Common To All	86,419.00	
151000-00	Bond Issuance Costs		40,005.00
151100-00	Discount on 2008 Bond Issue		40,000.00
508701-01	Bond Issuance Costs		6,414.00
Total		<u>86,419.00</u>	<u>86,419.00</u>

Client:
Engagement:
Period Ending:
Trial Balance:
Workpaper:

039-00544700 - Green Bay Metropolitan Sewerage District
AUD - Green Bay Metropolitan Sewerage District
12/31/2012
0910.00 - GBMSD
0920.20 - Reclassifying Journal Entries Report

Account	Description	Debit	Credit
Reclassifying Journal Entries JE # 1			
Reclassify adjustment of Ash Creek Segment 3 per ICR analysis			
440204-06	Contributed Capital	198,982.00	198,982.00
303000-00	Municipal Contributions		198,982.00
Total		<u>198,982.00</u>	<u>198,982.00</u>
Reclassifying Journal Entries JE # 8			
Reclassify payables related to construction for financial statement purposes			
200100-00	Accounts Payable	3,978,939.00	3,978,939.00
200500-00	Retainage Payable		3,978,939.00
Total		<u>3,978,939.00</u>	<u>3,978,939.00</u>

March 27, 2013

CliftonLarsonAllen LLP
10700 W. Research Drive, Suite 200
Milwaukee, WI 53226

This representation letter is provided in connection with your audits of the financial statements of Green Bay Metropolitan Sewerage District, which comprise the Statements of Net Position as of December 31, 2012 and 2011, and related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of March 27, 2013, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 25, 2013, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates and the significant assumptions used in making those accounting estimates are reasonable.
- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

- Related party relationships and transactions, including, but not limited to, revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
 - All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
 - Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
 - The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
-
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
 - The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value of investment securities are determined by Wells Fargo based on unaffiliated industry sources. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
 - We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
 - Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
 - Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
 - We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - All communications, if any, from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.
 - All communications, if any, from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
 - Access to all audit or relevant monitoring reports, if any, received from funding sources.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- Provision has been made for any material loss that is probable from environmental remediation liabilities associated with the State of Wisconsin.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.

- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Green Bay Metropolitan Sewerage District, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$500,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

- The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
- The financial statements properly classify all funds and activities.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- Investments are properly valued.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Signature: _____ Title: _____
Thomas Sigmund

Signature: _____ Title: _____
Paul Kaster

Signature: _____ Title: _____
Maridey Diaz