

**GREEN BAY METROPOLITAN  
SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2016**

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
December 31, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Commissioners  
Green Bay Metropolitan Sewerage District  
Green Bay, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Green Bay Metropolitan Sewerage District, ("GBMSD") as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider internal control relevant to the GBMSD'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 GBMSD's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GBMSD as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

We have not audited the Green Bay Metropolitan Sewerage District's 2015 financial statements. Those statements were audited by other auditors whose report, dated June 3, 2016, expressed an unmodified opinion. The 2015 balances are presented in our audit report for comparison purposes at the request of management. However, we do not express an opinion on the 2015 balances.

### ***Change in Accounting Principle***

As discussed in Note B.1 to the financial statements, in 2016 the GBMSD adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedules relating to pensions on page 32 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the GBMSD's financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also not a required part of the financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2017, on our consideration of the GBMSD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GBMSD's internal control over financial reporting and compliance.



Certified Public Accountants  
Green Bay, Wisconsin  
May 16, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **GREEN BAY METROPOLITAN SEWERAGE DISTRICT**

## **Management's Discussion and Analysis**

December 31, 2016

The management of the Green Bay Metropolitan Sewerage District (GBMSD), offers readers of its financial statements this narrative overview and analysis for the fiscal year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the GBMSD's financial statements and notes to the financial statements to enhance their understanding of the GBMSD's financial performance.

GBMSD has adopted a new brand: NEW Water. GBMSD has proudly served Northeast Wisconsin for more than 80 years, serving the mission of leading water quality improvements for the bay of Green Bay through operational excellence, resource recovery, education, and watershed management. The organization will continue to be known as the Green Bay Metropolitan Sewerage District legally, and will continue to provide the same quality water treatment service customers have come to expect. This new brand complements a new attitude of viewing materials received as a resource to be recovered, rather than as with which to dispose. Further, GBMSD will be working closely with the greater Northeast 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 20<sup>th</sup> century. GBMSD looks forward to Watershed Conservation and Stewardship being its signature contribution to the 21<sup>st</sup> century.

### **Financial Highlights**

- The assets and deferred outflows of the GBMSD exceeded its liabilities and deferred inflows at the close of the most recent year by \$219,139,527 (net position). Of this amount, unrestricted net position is \$19,813,206.
- GBMSD's operating expenses increased by \$1,087,194.
- User fees from municipal waste increased \$1,878,406 and mill waste increased \$624,728.

### **Overview of the Financial Statements**

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

### **Financial Statements**

The financial statements of the GBMSD report information of the 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 the GBMSD's assets, deferred outflows, liabilities and deferred inflows, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the GBMSD creditors (liabilities). It also provides the basis for evaluating the capital structure of GBMSD and assessing the liquidity and financial flexibility of the 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 the 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.

# GREEN BAY METROPOLITAN SEWERAGE DISTRICT

Management's Discussion and Analysis  
December 31, 2016

## Financial Analysis of GBMSD

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the GBMSD's financial activities for the years ending December 31, 2016 and 2015. These statements report the year-end balances of net position as well as the changes in net position from one year to the next. The balance of net position – the difference between assets and deferred outflows and liabilities and deferred inflows – measures the GBMSD's financial health or financial position. Over time, increases or decreases in the 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.

### Net Position

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

Condensed Summary of Net Position				
	12/31/2016		12/31/2015	
Capital assets:				
Net plant in service	\$	156,890,234	\$	153,471,885
Construction in progress		114,170,783		50,383,212
Current, restricted and other assets		107,330,278		108,235,531
Total assets		378,391,295		312,090,628
Deferred outflows of resources		4,257,133		1,184,226
Current liabilities		18,554,306		12,285,397
Long-term liabilities		143,342,658		90,326,317
Total liabilities		161,896,964		102,611,714
Deferred inflows of resources		1,611,937		7,483
Net position:				
Net investment in capital assets		128,374,911		121,746,874
Restricted		70,951,410		70,456,102
Unrestricted		19,813,206		18,452,681
Total net position	\$	219,139,527	\$	210,655,657

The largest portion of the GBMSD's net position (58%) is reflected in its investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure); less any related outstanding indebtedness used to acquire those assets and deferred outflows. The GBMSD uses these capital assets for operational purposes; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the GBMSD's net position (30%) represents resources that are subject to external restrictions on how they may be used. The restricted net position of \$70,917,263 is made up of equipment and interceptor replacement (\$44,182,236) and debt service (\$26,769,174). The remaining \$19,813,206 balance is considered unrestricted at the end of 2016.

## GREEN BAY METROPOLITAN SEWERAGE DISTRICT

Management's Discussion and Analysis

December 31, 2016

While the Statement of Net Position shows the change in financial position, the Statement 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 Net Position		
	2016	2015
<b>Revenues</b>		
Operating revenues	\$ 37,461,932	\$ 36,221,714
Non-operating revenues	569,789	705,892
<b>Total Revenues</b>	<b>38,031,721</b>	<b>36,927,606</b>
<b>Expenses</b>		
Depreciation expense	7,474,124	7,421,951
Other operating expense	19,559,419	18,524,398
<b>Total operating expenses</b>	<b>27,033,543</b>	<b>25,946,349</b>
Non-operating expenses	3,125,505	2,729,133
<b>Total expenses</b>	<b>30,159,048</b>	<b>28,675,482</b>
<b>Increase in net position before capital contributions</b>	<b>7,872,673</b>	<b>8,252,124</b>
<b>Capital contributions</b>	<b>611,197</b>	<b>360,696</b>
<b>Change in net position</b>	<b>8,483,870</b>	<b>8,612,820</b>
<b>Net position, January 1</b>	<b>210,655,657</b>	<b>202,042,837</b>
<b>Net position, December 31</b>	<b>\$ 219,139,527</b>	<b>\$ 210,655,657</b>

Net position increased by \$8,483,870. Key elements of this increase are as follows:

- Operating income of \$10,428,389 increased from prior year operating income of \$10,275,365. The increase was due to increased operating revenues of \$1,240,218. Municipal waste fees increased \$1,878,406, mill waste increased \$624,728, and other operating revenues decreased \$1,262,916.

# GREEN BAY METROPOLITAN SEWERAGE DISTRICT

## Management's Discussion and Analysis

December 31, 2016

### BUDGETARY HIGHLIGHTS

The 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 2016 budget:

	Budget	Actual	Variance
Revenues	\$ 35,963,399	\$ 37,461,932	\$ 1,498,533
Expenses:			
Salaries and benefits	9,743,345	10,308,059	564,714
Power	2,469,684	2,408,771	(60,913)
Contracted services	2,523,322	2,261,912	(261,410)
Maintenance - plant	1,362,391	1,371,703	9,312
Chemicals	646,923	590,801	(56,122)
Natural gas and fuel oil	1,078,379	908,606	(169,773)
Solid waste disposal	256,315	173,741	(82,574)
Maintenance - interceptors	321,310	257,930	(63,380)
Office related expenses	401,044	461,973	60,929
Insurance	202,995	232,200	29,205
Supplementary expenses	454,692	403,151	(51,541)
Employee development	123,078	118,996	(4,082)
Travel and meetings	73,297	61,576	(11,721)
Total Expenses	19,656,775	19,559,419	(97,356)
Net change	\$ 16,306,624	\$ 17,902,513	\$ 1,595,889

# GREEN BAY METROPOLITAN SEWERAGE DISTRICT

## Management's Discussion and Analysis

December 31, 2016

### CAPITAL ASSETS

At the end of 2016, the GBMSD had \$401,048,535 invested in capital assets including two treatment plants and interceptors.

Capital Assets		
	2016	2015
Land and land improvements	\$ 3,897,054	\$ 3,886,764
Structures	108,373,995	101,782,099
Machinery and equipment	93,369,661	90,646,307
Furniture and fixtures	226,797	450,027
Autos and trucks	1,618,464	1,082,753
Interceptors	76,891,034	79,394,122
Amortizable assets	2,500,747	1,559,465
Construction in process	114,170,783	50,383,212
Total	401,048,535	329,184,749
Less: Accumulated depreciation	129,987,518	125,329,652
Net Capital Assets	\$ 271,061,017	\$ 203,855,097

More detailed information about the GBMSD's capital assets is presented in Note B.3 of the financial statements.

### DEBT ADMINISTRATION

In order to abate levying a tax for debt service, the 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, the GBMSD's customers are informed that the GBMSD will not levy any taxes for the existing debt service. The GBMSD believes the most equitable method is collecting for municipal debt service requirements based on the flow and loadings to the plant. Procter and Gamble is assessed debt service cost based on its contractual plant capacity.

Indebtedness outstanding at December 31, 2016 and 2015 amounted to \$142.7 million, and \$90.7 million, respectively. This balance includes funds received by the GBMSD through the State of Wisconsin Clean Water Fund Loan program, which has replaced grant funding for the construction of wastewater treatment facilities. In addition, the GBMSD issued Clean Water Fund Loans during 2016 to finance a portion of the Resource Recovery and Electrical Energy (R2E2) project. Interest on these loans is payable semi-annually at a rate of 2.061%. More detailed information about the GBMSD's long-term liabilities is presented in Note B.5 of the financial statements.

# GREEN BAY METROPOLITAN SEWERAGE DISTRICT

Management's Discussion and Analysis

December 31, 2016

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission and management of the 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 the GBMSD rates have on the major industries. By maintaining competitive rates, the GBMSD believes it can help keep its industrial customers competitive in their respective markets. The following table presents the budget rate history:

<b>Municipal Rate History</b>
-------------------------------

Fiscal Year	Volume (Per 1,000 gallons)	BOD (Per Lb.)	Suspended Solids (Per Lb.)	Phosphorus (Per Lb.)	TKN (Per Lb.)	Fixed Charge
2009	0.53679	0.21044	0.20719	0.85349	0.53473	N/A
2010	0.61640	0.20704	0.23233	0.82987	0.67116	N/A
2011	0.71112	0.23857	0.26360	0.70698	0.87221	N/A
2012	0.84274	0.26511	0.29365	0.48596	0.76667	N/A
2013	0.85682	0.30901	0.34795	0.62393	0.78995	N/A
2014	0.76333	0.33466	0.29867	0.62124	0.68741	0.46763
2015	0.80448	0.39331	0.34822	0.56768	0.65358	0.52659
2016	0.79357	0.43068	0.41292	0.60597	0.64043	0.54580

<b>Mill Rate History</b>
--------------------------

Fiscal Year	Volume (Per 1,000 gallons)	BOD (Per Lb.)	Suspended Solids (Per Lb.)	Phosphorus (Per Lb.)	TKN (Per Lb.)
2009	0.40517	0.18287	0.20402	0.84653	0.51832
2010	0.42111	0.16810	0.21243	0.78548	0.56928
2011	0.43660	0.17744	0.22522	0.61497	0.66935
2012	0.47128	0.18786	0.20413	0.36372	0.55581
2013	0.50944	0.20116	0.19775	0.44714	0.57453
2014	0.51836	0.24896	0.19362	0.50636	0.56970
2015	0.52549	0.26270	0.19420	0.40750	0.50956
2016	0.53420	0.25789	0.18371	0.38906	0.49819

The GBMSD is currently in the process of building a new solids handling facility which has an estimated project cost of \$169 million. The GBMSD embarked on this project, known as R2E2 for three main reasons: to replace aging infrastructure; to comply with stricter environmental standards, and to meet needs for increased capacity. R2E2's project concept was agreed upon through a community-wide effort, and represents a new attitude, of viewing what is sent as a resource to be recovered, rather than a waste with which to dispose. This project involves building two anaerobic digesters, which break down biodegradable material in the absence of oxygen, and reduce the volume of material to be processed. In addition, the digesters will produce methane-containing biogas, which will be captured and used to produce electricity. It is estimated that energy costs will be halved during the first year. Currently under construction, R2E2 is expected to go online in 2018.

# **GREEN BAY METROPOLITAN SEWERAGE DISTRICT**

Management's Discussion and Analysis

December 31, 2016

## **GBMSD CONTACT INFORMATION**

This financial report is designed to provide a general overview of the finances of the GBMSD for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Maridey Diaz, Accounting Manager, 2231 N. Quincy Street, Green Bay, WI 54302.

# **FINANCIAL STATEMENTS**

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Statement of Net Position  
December 31, 2016  
With Comparative Totals as of December 31, 2015

	2016	2015
<b>ASSETS</b>		
Current Assets		
Cash and investments	\$ 24,306,007	\$ 12,661,167
Receivables		
Sewage treatment service	4,792,712	5,293,916
Other	131,262	466,965
Inventory	998,918	945,937
Prepaid expenses	102,982	179,499
Total Current Assets	<u>30,331,881</u>	<u>19,547,484</u>
Noncurrent Assets		
Restricted assets		
Cash	47,503,899	47,312,932
Investments	25,280,634	35,070,663
Accrued interest receivable	150,146	257,820
Accounts receivable - construction	492,646	718,846
Interceptor cost recovery receivable - current portion	605,859	602,854
Interceptor cost recovery receivable - long-term portion	2,965,213	3,565,227
Total Restricted Assets	<u>76,998,397</u>	<u>87,528,342</u>
Other Assets		
Net pension asset	-	1,159,705
Capital assets		
Wastewater treatment facilities	207,072,520	198,464,324
Interceptor sewers	79,805,232	80,337,213
Accumulated depreciation	(129,987,518)	(125,329,652)
Construction in progress	114,170,783	50,383,212
Total capital assets	<u>271,061,017</u>	<u>203,855,097</u>
Total Noncurrent Assets	<u>348,059,414</u>	<u>292,543,144</u>
<b>TOTAL ASSETS</b>	<u>378,391,295</u>	<u>312,090,628</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	<u>4,257,133</u>	<u>1,184,226</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	723,896	992,787
Accrued payroll	291,819	248,873
Current portion of unearned revenue	459,855	465,014
Current maturities of compensated absences	456,335	372,879
Other accrued liabilities	131,834	118,062
Total Current Liabilities	<u>2,063,739</u>	<u>2,197,615</u>
Liabilities Payable from Restricted Assets		
Accounts payable	10,964,975	3,985,591
Current maturities of long-term debt	4,875,361	5,621,971
Accrued interest payable	650,231	480,220
Total Liabilities Payable from Restricted Assets	<u>16,490,567</u>	<u>10,087,782</u>
Long-term Obligations		
General obligation debt	137,810,745	85,099,492
Unearned revenue	3,510,323	3,968,787
Compensated absences	1,258,381	1,258,038
Net pension liability	763,209	-
Total Long-term Obligations	<u>143,342,658</u>	<u>90,326,317</u>
<b>TOTAL LIABILITIES</b>	<u>161,896,964</u>	<u>102,611,714</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	<u>1,611,937</u>	<u>7,483</u>
<b>NET POSITION</b>		
Net investment in capital assets	128,374,911	121,746,874
Restricted for		
Equipment and interceptor replacement	44,182,236	43,303,828
Debt service	26,769,174	25,992,569
Pension benefits	-	1,159,705
Unrestricted	19,813,206	18,452,681
<b>TOTAL NET POSITION</b>	<u>\$ 219,139,527</u>	<u>\$ 210,655,657</u>

The notes to the financial statements are an integral part of this statement.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	2016	2015
Operating Revenues	\$ 37,461,932	\$ 36,221,714
Operating Expenses	<u>27,033,543</u>	<u>25,946,349</u>
Operating Income	<u>10,428,389</u>	<u>10,275,365</u>
Nonoperating Revenues (Expenses)		
Interest income	569,789	705,892
Interest expense	(2,874,782)	(1,809,624)
Loss on disposal of capital assets	(250,723)	(919,509)
Total Nonoperating Revenues (Expenses)	<u>(2,555,716)</u>	<u>(2,023,241)</u>
Income before capital contributions	7,872,673	8,252,124
Capital Contributions	<u>611,197</u>	<u>360,696</u>
Change in Net Position	8,483,870	8,612,820
Net position - January 1	<u>210,655,657</u>	<u>202,042,837</u>
Net position - December 31	<u>\$ 219,139,527</u>	<u>\$ 210,655,657</u>

The notes to the financial statements are an integral part of this statement.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Statement of Cash Flows  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Cash received from user charges	\$ 38,061,416	\$ 36,629,633
Cash payments to suppliers	(9,377,719)	(8,927,087)
Cash payments to employees	(9,832,077)	(9,488,083)
<b>Net Cash Provided by Operating Activities</b>	<b>18,851,620</b>	<b>18,214,463</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(66,855,049)	(13,189,248)
Principal payments on long-term debt	(5,666,454)	(5,561,962)
Proceeds from issuance of debt	57,631,097	4,307,128
Interceptor cost recovery income	597,009	871,080
Proceeds from sale of capital assets	17,965	-
Capital contributions received	611,197	338,821
Interest payments on long-term debt	(2,704,771)	(1,822,762)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(16,369,006)</b>	<b>(15,056,943)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	677,463	1,027,047
Purchase of investments	(199,701)	(8,138,063)
Proceeds from sales and maturities of investments	8,875,431	13,000,000
<b>Net Cash Provided by Investing Activities</b>	<b>9,353,193</b>	<b>5,888,984</b>
<b>Change in Cash and Cash Equivalents</b>	<b>11,835,807</b>	<b>9,046,504</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>59,974,099</b>	<b>50,927,595</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 71,809,906</b>	<b>\$ 59,974,099</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 10,428,389	\$ 10,275,365
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,474,124	7,421,951
Changes in pension related liability (asset) and deferred outflows/inflows of resources	454,461	(30,394)
Changes in current assets and liabilities		
Accounts receivable	1,063,107	(1,335,329)
Inventory	(52,981)	(60,578)
Prepaid expenses	76,517	7,621
Accounts payable	(268,891)	84,838
Accrued payroll	56,718	50,932
Unearned revenue	(463,623)	1,743,248
Compensated absences	83,799	49,326
Deferred pension obligations	-	7,483
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 18,851,620</b>	<b>\$ 18,214,463</b>
<b>Reconciliation of cash and cash equivalents to statement of net position:</b>		
Cash and investments	\$ 24,306,007	\$ 12,661,167
Restricted cash and investments	47,503,899	47,312,932
<b>Total cash and cash equivalents</b>	<b>\$ 71,809,906</b>	<b>\$ 59,974,099</b>

The notes to the financial statements are an integral part of this statement.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

The financial statements of the Green Bay Metropolitan Sewerage District, Green Bay, Wisconsin ("GBMSD"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by GBMSD are described below:

1. Reporting Entity

The Green Bay Metropolitan Sewerage District was organized in 1931, under Section 66.20 of the Wisconsin Statutes, to construct interceptor sewers, including rights-of-way and appurtenances, and construction and operate a sewage disposal plant. The GBMSD's service area includes all of the Cities of Green Bay and De Pere; Villages of Allouez, Ashwaubenon, Bellevue, Hobart, Howard, Luxemburg, Pulaski, and Suamico; Town of Ledgeview Sanitary District #2; Town of Lawrence Utility District; Pittsfield Sanitary District #1; Town of Scott Sanitary District #1; Dyckesville Sanitary District; New Franken Sanitary District; Royal Scot Sanitary District; and Bayshore Sanitary District.

The 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 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 with the GBMSD. Each entity utilizing the 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's system. In 2014, Georgia-Pacific Consumer Products LP prepaid its remaining portion of outstanding debt.

The GBMSD is governed by a five member Commission, appointed by the Brown County Executive, and operates under the jurisdiction of the Wisconsin State Statutes.

In accordance with GAAP, the financial statements are required to include the GBMSD and any separate component units that have a significant operational or financial relationship with the GBMSD. The GBMSD has not identified any component units that are required to be included in the financial statements in accordance with standards established in GASB Statement No. 61.

2. Enterprise Fund

The GBMSD accounts for its operations as an enterprise fund. An enterprise fund is used to account for operations financed and operated in a manner similar to private business with the intent that the costs (expenses, including depreciation) of providing services to the general public be financed primarily through user charges.

3. Measurement Focus and Basis of Accounting

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the GBMSD's principal ongoing operations. The principal operating revenues of the GBMSD are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the GBMSD's policy to use restricted resources first, then unrestricted resources, as they are needed.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)**

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the financial statements.

c. Inventory

Inventory is recorded at cost, which approximates market, using the first-in first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed rather than when purchased.

d. Prepaid Expenses

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

e. 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.

f. Capital Assets

Capital assets, which include property, plant and equipment assets, are reported in the financial statements. Capital assets are defined by GBMSD as assets with an initial, individual cost of \$2,500 for general assets or \$5,000 for computers, or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the GBMSD are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 80
Improvements	3 - 80
Sewers	50 - 100
Equipment	3 - 30

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
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Notes to the Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)**

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. The GBMSD has one item that qualifies for reporting in this category. The item is related to the GBMSD's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The GBMSD has one item that qualifies for reporting in this category. The item is related to the GBMSD's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

h. Unearned Revenues

Unearned revenues are reported for amounts received prior to the GBMSD earning the funds.

i. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt. Long-term debt payable is reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

j. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Compensated Absences

It is the GBMSD's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook agreements. All vacation and sick leave is accrued when earned in the financial statements.

l. Net Position

Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- *Restricted net position* - Amount of net position that is subject to restrictions that are imposed 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.
- *Unrestricted net position* - Net position that is neither classified as restricted nor as net investment in capital assets.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Notes to the Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)**

m. Revenues and Expenses

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

n. 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.

5. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE B - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

Invested cash consists of deposits and investments which are restricted by the Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the GBMSD's cash and investments totaled \$97,090,540 on December 31, 2016 as summarized below:

	12/31/2016	12/31/2015
Deposits with financial institutions	\$ 36,996,482	\$ 40,842,532
Investments	60,094,058	54,202,230
	\$ 97,090,540	\$ 95,044,762

Reconciliation to the statement of net position:

Statement of Net Position		
Cash and investments	\$ 24,306,007	\$ 12,661,167
Restricted		
Cash	47,503,899	47,312,932
Investments	25,280,634	35,070,663
	\$ 97,090,540	\$ 95,044,762

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Fair Value Measurements

The GBMSD implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The GBMSD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The GBMSD has the following fair value measurements as of December 31, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. Treasury Notes	\$ -	\$ 6,015,300	\$ -
U.S. Government Agency Securities	-	2,002,520	-
Corporate bonds	-	6,190,933	-
Municipal bonds	-	11,071,881	-
Money market funds	34,766,016	-	-
Total investments by fair value level	<u>\$ 34,766,016</u>	<u>\$ 25,280,634</u>	<u>\$ -</u>

Deposits of the GBMSD are subject to custodial credit risk. Presented below is a discussion of the GBMSD's deposits and the related risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin Statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The GBMSD does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On December 31, 2016, \$492,914 of the GBMSD's deposits with financial institutions were in excess of federal and state depository insurance limits.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin Statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	AA	Not Rated
U.S. Treasury Notes	\$ 6,015,300	\$ 6,015,300	\$ -	\$ -	\$ -
U.S. Government Agency	2,002,520	2,002,520	-	-	-
Corporate bonds	6,190,933	-	-	6,190,933	-
Municipal bonds	11,071,881	-	5,982,923	5,088,958	-
Money market funds	34,766,016	-	-	-	34,766,016
Wisconsin Local Government Investment Pool	47,408	-	-	-	47,408
<b>Totals</b>	<b>\$ 60,094,058</b>	<b>\$ 8,017,820</b>	<b>\$ 5,982,923</b>	<b>\$ 11,279,891</b>	<b>\$ 34,813,424</b>

Concentration of Credit Risk

The investment policy of the GBMSD allows no more than 50% of its total investment portfolio can be invested in any one issuer, other than U.S. agency obligations, U.S. Treasury Obligations, certificates of deposit, and authorized pools. There were no investments in any one issuer that represent 5% or more of total GBMSD investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the GBMSD manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. In accordance with its investment policy, The GBMSD manages its exposure to declines in fair values by limiting the maximum maturity dates as follows:

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**

**GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements

December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Information about the sensitivity of the fair values of the GBMSD's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the GBMSD's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 6,015,300	\$ -	\$ -	\$ 4,043,040	\$ 1,972,260
U.S. Government Agency	2,002,520	2,002,520	-	-	-
Corporate bonds	6,190,933	4,131,043	2,059,890	-	-
Municipal bonds	11,071,881	7,090,608	3,981,273	-	-
Money market funds	34,766,016	34,766,016	-	-	-
Wisconsin Local Government Investment Pool	47,408	47,408	-	-	-
<b>Totals</b>	<b>\$ 60,094,058</b>	<b>\$ 48,037,595</b>	<b>\$ 6,041,163</b>	<b>\$ 4,043,040</b>	<b>\$ 1,972,260</b>

Investment in Wisconsin Local Government Investment Pool

The GBMSD has investments in the Wisconsin local government investment pool of \$47,408 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the GBMSD's share of the LGIP's assets was substantially equal to the carrying value.

2. Restricted Assets

Restricted assets of the GBMSD on December 31, 2016 totaled \$76,998,397 held for the following purposes:

	Equipment and Interceptor Replacement	Debt Retirement	Construction	Total
Cash, cash equivalents and investments	\$ 40,577,017	\$ 26,653,175	\$ 5,554,341	\$ 72,784,533
Receivables				
Accrued interest receivable	34,147	115,999	-	150,146
Accounts receivable	-	-	492,646	492,646
Interceptor cost recovery	3,571,072	-	-	3,571,072
<b>Total restricted assets</b>	<b>\$ 44,182,236</b>	<b>\$ 26,769,174</b>	<b>\$ 6,046,987</b>	<b>\$ 76,998,397</b>

Cash, cash equivalents, and investments:

- Plant and Equipment Replacement Account - As a condition of receiving state and federal funds for wastewater treatment facility construction, The 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 an also repair and replacement of an interceptor facility.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

- Debt Retirement Account - In order to allow the GBMSD to abate levying a tax for debt service, the 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.
- Interceptor cost recovery receivables represent amounts due from municipal customers for the construction of interceptor sewers.
- Accounts receivable for industrial contributions represents amounts due from an industrial customer for the construction of a force main.

Interceptor Cost Recovery Receivable

The GBMSD has agreements with various municipal customers in which the municipalities have agreed to reimburse the GBMSD for the cost of interceptors owned by the GBMSD whose capacity has been allocated to the municipalities. Annual repayments on the receivables for the year ended December 31, 2016 are as follows:

Year	Total
2017	\$ 605,859
2018	557,563
2019	546,396
2020	556,873
2021	302,149
2022-2025	<u>1,002,232</u>
Total	<u>\$ 3,571,072</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

3. Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reclass- ifications	Retirements	Ending Balance
Construction in progress	\$ 50,383,212	\$ 74,944,133	\$ -	\$ 11,156,562	\$ 114,170,783
<b>Wastewater Treatment Facilities</b>					
Capital assets, not being depreciated:					
Land	706,857	-	-	-	706,857
Capital assets, being depreciated:					
Land improvements	3,179,907	-	10,290	-	3,190,197
Structures and equipment	98,145,314	5,548,093	2,858,680	1,092,290	105,459,797
Machinery and equipment	90,629,597	4,686,763	(32,811)	1,913,888	93,369,661
Furniture and fixtures	450,027	10,383	(170,152)	63,461	226,797
Autos and trucks	1,082,753	-	535,711	-	1,618,464
Amortizable assets	1,559,465	720,718	231,272	10,708	2,500,747
Subtotal	195,047,063	10,965,957	3,432,990	3,080,347	206,365,663
Less accumulated depreciation for:					
Land improvements	2,614,577	64,796	1	-	2,679,374
Structures and equipment	47,929,535	2,785,737	(101,377)	1,068,770	49,545,125
Machinery and equipment	53,820,026	3,054,810	-	1,664,512	55,210,324
Furniture and fixtures	277,744	1,574	-	63,431	215,887
Autos and trucks	493,946	69,530	1	-	563,477
Amortizable assets	1,006,592	157,151	1	15,306	1,148,438
Subtotal	106,142,420	6,133,598	(101,374)	2,812,019	109,362,625
Total capital assets, being depreciated, net	88,904,643	4,832,359	3,534,364	268,328	97,003,038
Total wastewater treatment facilities capital assets, net	89,611,500	4,832,359	3,534,364	268,328	97,709,895
<b>Interceptor Sewers</b>					
Capital assets, being depreciated:					
Structures	3,636,785	-	(722,587)	-	2,914,198
Machinery and equipment	16,710	-	(16,710)	-	-
Interceptors	79,394,122	190,605	(2,693,693)	-	76,891,034
Subtotal	83,047,617	190,605	(3,432,990)	-	79,805,232
Less accumulated depreciation for:					
Structures	1,794,371	102,345	(410,199)	4,239	1,482,278
Interceptors	17,392,861	1,238,181	511,573	-	19,142,615
Subtotal	19,187,232	1,340,526	101,374	4,239	20,624,893
Total interceptor sewer capital assets, net	63,860,385	(1,149,921)	(3,534,364)	(4,239)	59,180,339
Total Capital Assets, net	\$ 203,855,097	\$ 78,626,571	\$ -	\$ 11,420,651	\$ 271,061,017

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Beginning Balance	Additions	CIP Reclas- sifications	Retirements	Ending Balance
Construction in progress	\$ 39,476,996	\$ 13,062,713	\$ (2,156,497)	\$ -	\$ 50,383,212
<b>Wastewater Treatment Facilities</b>					
Capital assets, not being depreciated:					
Land	706,857	-	-	-	706,857
Capital assets, being depreciated:					
Land improvements	3,179,907	-	-	-	3,179,907
Structures and equipment	98,473,662	-	836,944	1,165,292	98,145,314
Machinery and equipment	92,195,210	-	1,059,231	2,624,844	90,629,597
Furniture and fixtures	480,966	-	-	30,939	450,027
Autos and trucks	1,099,298	-	46,763	63,308	1,082,753
Amortizable assets	1,424,429	-	163,223	28,187	1,559,465
Subtotal	196,853,472	-	2,106,161	3,912,570	195,047,063
Less accumulated depreciation for:					
Land improvements	2,549,782	64,795	-	-	2,614,577
Structures and equipment	45,829,929	2,916,245	-	816,639	47,929,535
Machinery and equipment	52,765,272	3,113,959	-	2,059,205	53,820,026
Furniture and fixtures	302,327	1,662	-	26,245	277,744
Autos and trucks	485,601	71,653	-	63,308	493,946
Amortizable assets	919,462	115,317	-	28,187	1,006,592
Subtotal	102,852,373	6,283,631	-	2,993,584	106,142,420
Total capital assets, being depreciated, net	94,001,099	(6,283,631)	2,106,161	918,986	88,904,643
Total wastewater treatment facilities capital assets, net	94,707,956	(6,283,631)	2,106,161	918,986	89,611,500
<b>Interceptor Sewers</b>					
Capital assets, being depreciated:					
Structures	3,636,785	-	-	-	3,636,785
Machinery and equipment	16,710	-	-	-	16,710
Interceptors	79,351,257	-	50,336	7,471	79,394,122
Subtotal	83,004,752	-	50,336	7,471	83,047,617
Less accumulated depreciation for:					
Structures	1,690,771	103,600	-	-	1,794,371
Interceptors	16,365,089	1,034,720	-	6,948	17,392,861
Subtotal	18,055,860	1,138,320	-	6,948	19,187,232
Total interceptor sewer capital assets, net	64,948,892	(1,138,320)	50,336	523	63,860,385
Total Capital Assets, net	\$ 199,133,844	\$ 5,640,762	\$ -	\$ 919,509	\$ 203,855,097

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

4. Long-term Obligations

The following is a summary of changes in long-term obligations of the GBMSD for the year ended December 31, 2016:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
General obligation bonds	\$ 89,299,042	\$ 57,631,097	\$ 5,577,089	\$ 141,353,050	\$ 4,781,529
General obligation notes	1,422,421	-	89,365	1,333,056	93,832
Total general obligation debt	90,721,463	57,631,097	5,666,454	142,686,106	4,875,361
Compensated absences	1,630,917	83,799	-	1,714,716	456,335
Total long-term obligations	<u>\$ 92,352,380</u>	<u>\$ 57,714,896</u>	<u>\$ 5,666,454</u>	<u>\$ 144,400,822</u>	<u>\$ 5,331,696</u>

Interest paid during the year on long-term debt totaled \$3,061,774.

The following is a summary of changes in long-term obligations of the GBMSD for the year ended December 31, 2015:

	Outstanding 1/1/15	Issued	Retired	Outstanding 12/31/15	Due Within One Year
General obligation bonds	\$ 90,468,767	\$ 4,307,128	\$ 5,476,853	\$ 89,299,042	\$ 1,532,607
General obligation notes	1,507,530	-	85,109	1,422,421	89,364
Total general obligation debt	91,976,297	4,307,128	5,561,962	90,721,463	1,621,971
Compensated absences	1,581,591	49,326	-	1,630,917	372,879
Total long-term obligations	<u>\$ 93,557,888</u>	<u>\$ 4,356,454</u>	<u>\$ 5,561,962</u>	<u>\$ 92,352,380</u>	<u>\$ 1,994,850</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

General obligation debt outstanding at December 31, 2016 consists of the following issues:

<u>Bonds</u>	2016	2015
\$5,185,113 issued 11/26/96, paid off in 2016	\$ -	\$ 341,755
\$7,000,000 issued 1/1/02, paid off in 2016	-	615,000
\$890,037 issued 2/15/10; \$58,916 due in 2017; interest 3.173%	58,916	116,020
\$2,737,735 issued 4/14/99; \$175,694 to \$180,332 due annually through 2018 interest at 2.64%	356,026	527,201
\$1,924,428 issued 10/25/00; \$117,581 to \$130,108 due annually through 2020; interest at 3.42%	495,096	608,776
\$2,159,850 issued 10/25/00; \$128,840 to \$140,664 due annually through 2020; interest at 2.97%	538,776	663,900
\$946,212 issued 7/11/01; \$55,712 to \$63,573 due annually through 2021; interest at 3.35%	297,888	351,792
\$1,490,715 issued 7/11/01; \$87,402 to \$99,042 due annually through 2021; interest at 3.175%	465,654	550,366
\$695,592 issued 2/27/02; \$40,228 to \$45,068 due annually through 2021; interest at 2.881%	213,067	252,168
\$3,222,103 issued 12/31/07; \$194,851 to \$213,850 due annually through 2020; interest at 3.15%	817,009	1,005,909
\$5,347,693 issued 4/9/08; \$295,502 to \$348,033 due annually through 2024; interest at 2.365%	2,569,229	2,857,904
\$2,761,526 issued 4/25/07; \$153,253 to \$180,497 due annually through 2024; interest at 2.365%	1,332,455	1,418,412
\$3,881,879 issued 9/10/03; \$226,095 to \$253,810 due annually through 2021; interest at 2.93%	1,198,760	1,482,168
\$10,000,000 issued 9/15/08; \$495,000 to \$840,000 due annually through 2028; interest at 4.34%	7,795,000	8,270,000
\$10,460,782 issued 3/11/09; \$488,518 to \$652,630 due annually through 2028; interest at 2.69%	6,803,737	7,279,560
\$4,211,341 issued 12/9/09; \$209,378 to \$295,407 due annually through 2029; interest at 2.91%	3,251,753	3,455,210
\$12,821,922 issued 2009-2012; \$613,513 to \$865,595 due annually through 2029; interest at 2.91%	9,528,209	10,124,374
\$3,421,382 issued 2010-2011; \$156,571 to \$213,114 due annually through 2030; interest at 2.40%	2,569,055	2,721,956
\$3,246,148 issued 2010-2012; \$150,825 to \$205,292 due annually through 2030; interest at 2.40%	2,474,765	2,622,055
\$3,146,593 issued 12/12/12; \$124,587 to 183,768 due annually through 2032; interest at 2.625%	2,438,289	2,559,689
\$3,133,312 issued 4/10/13; \$137,658 to \$203,048 due annually through 2032; interest at 2.625%	2,694,095	2,828,232
\$20,000,000 issued 8/30/13; \$1,100,000 to \$2,100,000 due annually from 2029 through 2038; interest at 4.50%	20,000,000	20,000,000
\$4,272,020 issued 1/8/14; \$176,076 to \$266,533 due annually through 2033; interest at 2.625%	3,712,515	3,884,088
\$16,337,158 issued 2014-2016; \$621,035 to \$964,761 due annually through 2034; interest at 2.625%	14,059,102	14,506,041
\$55,942,119 issued 2015-2016; \$2,598,533 to \$3,675,743 due annually through 2035; interest at 2.06%	55,942,119	63,022
\$1,816,710 issued 2015-2016; \$74,295 to \$111,381 due annually through 2035; interest at 2.275%	1,741,535	193,444
	141,353,050	89,299,042
<u>Notes</u>		
\$2,000,000 issued 12/28/07; \$93,832 to \$152,843 due annually through 2027; interest at 5.0%	1,333,056	1,422,421
	1,333,056	1,422,421
<b>Total Outstanding General Obligation Debt</b>	<b>\$ 142,686,106</b>	<b>\$ 90,721,463</b>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the above outstanding revenue bonds are shown below:

Year Ended December 31	Principal	Interest	Total
2017	\$ 4,875,361	\$ 3,878,947	\$ 8,754,308
2018	7,555,211	3,730,253	11,285,464
2019	7,572,328	3,531,520	11,103,848
2020	7,774,280	3,329,611	11,103,891
2021	7,485,854	3,129,788	10,615,642
2022-2026	36,924,059	12,763,319	49,687,378
2027-2031	37,370,614	7,781,063	45,151,677
2032-2036	28,928,400	2,859,777	31,788,177
2037-2038	4,199,999	189,000	4,388,999
	<u>\$ 142,686,106</u>	<u>\$ 41,193,278</u>	<u>\$ 183,879,384</u>

Legal Margin for New Debt

The GBMSD's legal margin for creation of additional general obligation debt on December 31, 2016 was \$760,978,432 as follows:

Equalized valuation of GBMSD		\$ 17,540,227,262
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>877,011,363</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 142,686,106	
Less: Funds held in debt service fund for retirement of general obligation debt	<u>26,653,175</u>	<u>116,032,931</u>
Legal Margin for New Debt		<u>\$ 760,978,432</u>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

5. Net Position

Net position for the year ended December 31, 2016 and 2015 was as follows:

	2016	2015
Net investment in capital assets		
Capital assets, net of accumulated depreciations	\$ 271,061,017	\$ 203,855,097
Capital related long-term debt outstanding	(142,686,106)	(90,721,463)
Unspent debt proceeds	-	8,613,240
	128,374,911	121,746,874
Restricted		
Equipment and interceptor replacement	44,182,236	43,303,828
Debt retirement	26,769,174	25,992,569
Net pension asset	-	1,159,705
	70,951,410	70,456,102
Unrestricted	19,813,206	18,452,681
Total net position	\$ 219,139,527	\$ 210,655,657

6. Pension Plan

a. Plan Description

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

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

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

The WRS also provides death and disability benefits for employees.

**b. Post-Retirement Adjustments**

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

**c. Contributions**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$454,816 in contributions from the GBMSD.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the GBMSD reported a liability of \$763,209 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The GBMSD's proportion of the net pension liability was based on the GBMSD's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the GBMSD's proportion was .04696725%, which was a decrease of .00024675% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the GBMSD recognized pension expense of \$889,112.

At December 31, 2016, the GBMSD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,113	\$ 1,606,160
Changes in assumptions	533,974	-
Net differences between projected and actual earnings on pension plan investments	3,124,795	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,190	5,777
Employer contributions subsequent to the measurement date	461,061	-
<b>Total</b>	<b>\$ 4,257,133</b>	<b>\$ 1,611,937</b>

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

\$461,061 reported as deferred outflows related to pension resulting from the GBMSD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 985,464	\$ 390,400
2017	985,464	390,400
2018	985,464	390,400
2019	822,334	389,352
2020	17,346	51,385
Total	<u>\$ 3,796,072</u>	<u>\$ 1,611,937</u>

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

\* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

*Single Discount Rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Notes to the Basic Financial Statements  
December 31, 2016

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

*Sensitivity of the GBMSD's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the GBMSD's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the GBMSD's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
GBMSD's proportionate share of the net pension liability (asset)	\$ 5,353,160	\$ 763,209	\$ (2,821,625)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://ef.wi.gov/publications/cafr.htm>.

f. Payable to the WRS

At December 31, 2016, the GBMSD reported a payable of \$75,538 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2016.

**NOTE C - OTHER INFORMATION**

1. Risk Management

The GBMSD is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The GBMSD completes an annual review of its insurance coverage to ensure adequate coverage.

2. Contingent Liabilities

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

3. Subsequent Events

During 2017, the GBMSD issued additional general obligation bonds through the Clean Water Fund Loan program, totaling \$22,754,698. Proceeds were used for capital improvements. Bonds are to be repaid from 2017 through 2035, with interest at 2.275%.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Wisconsin Retirement System  
Last 10 Fiscal Years

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/15	0.04721400%	\$ (1,159,705)	\$ 6,481,885	17.89%	102.74%
12/31/16	0.04696725%	763,209	6,688,466	11.41%	98.20%

Schedule of Contributions  
Wisconsin Retirement System  
Last 10 Fiscal Years

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 453,732	\$ 453,732	\$ -	\$ 6,481,885	7.00%
12/31/16	454,816	454,816	-	6,688,466	6.80%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

There were no changes of benefit terms for any participating employer in the WRS.

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The GBMSD is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

## **SUPPLEMENTARY INFORMATION**

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Schedule of Operating Revenues and Expenses  
For the Year Ended December 31, 2016  
With Comparative Amounts for the Year Ended December 31, 2015

	2016	2015
<b>Operating Revenues</b>		
User fees - municipal waste	\$ 32,647,826	\$ 30,769,420
User feeds - mill waste	1,415,855	1,241,092
Capital revenue - mills	1,696,131	1,246,166
Other revenues	1,702,120	2,965,036
<b>Total operating revenues</b>	<b>37,461,932</b>	<b>36,221,714</b>
<b>Operating Expenses</b>		
Salaries and wages	7,055,515	6,943,478
Fringe benefits	3,252,544	2,621,952
Employee development	118,996	108,638
Travel and meetings	61,576	60,756
Power	2,408,771	2,411,083
Natural gas and fuel oil	908,606	1,064,850
Chemicals	590,801	502,937
Maintenance - plant	1,371,703	1,506,683
Maintenance - interceptors	257,930	376,651
Contracted services	2,261,912	1,746,549
Insurance	232,200	200,413
Solid waste disposal	173,741	169,058
Office related expenses	461,973	432,598
Supplementary expenses	403,151	378,752
Subtotal	19,559,419	18,524,398
Depreciation	7,474,124	7,421,951
<b>Total operating expenses</b>	<b>27,033,543</b>	<b>25,946,349</b>
<b>Operating income</b>	<b>\$ 10,428,389</b>	<b>\$ 10,275,365</b>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Commissioners  
Green Bay Metropolitan Sewerage District  
Green Bay, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Green Bay Metropolitan Sewerage District (GBMSD), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the GBMSD's financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated May 16, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the GBMSD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GBMSD's internal control. Accordingly, we do not express an opinion on the effectiveness of the GBMSD's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the GBMSD's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the GBMSD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the GBMSD's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GBMSD's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
May 16, 2017

## **FEDERAL AWARDS**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Commissioners  
Green Bay Metropolitan Sewerage District  
Green Bay, Wisconsin

**Report on Compliance for the Major Federal Program**

We have audited the Green Bay Metropolitan Sewerage District's (GBMSD) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the GBMSD's major federal program for the year ended December 31, 2016. The GBMSD's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the GBMSD's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect a major federal program occurred. An audit includes examining, on a test basis, evidence about the GBMSD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the GBMSD's compliance.

***Opinion on the Major Federal Program***

In our opinion, the GBMSD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

## Report on Internal Control Over Compliance

Management of the GBMSD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the GBMSD's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the GBMSD's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
May 16, 2017

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016

Grantor Agency and Program Title	Pass-through Agency	CFDA Number	Accrued (Deferred) Revenue 1/1/16
<b><u>DEPARTMENT OF COMMERCE</u></b>			
Integrated Ocean Observing System (IOOS)	Fox Wolf Watershed Alliance	11.012	\$ -
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Clean Water State Revolving Fund Cluster</i>			
Capitalization Grants for Clean Water State Revolving Funds	WI Department of Administration	66.458	-
Great Lakes Program	Direct	66.469	-
Total U.S. Environmental Protection Agency			<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ -</u></u>

Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/16	Total Revenues	Total Expenditures	Subrecipient Expenditures
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\$ 7,136 \$ - \$ 7,136 \$ 7,136 \$ -

55,879,097 - 55,879,097 55,879,097 -

244,361 - 244,361 244,361 24,522

56,123,458 - 56,123,458 56,123,458 24,522

\$ 56,130,594 \$ - \$ 56,130,594 \$ 56,130,594 \$ 24,522

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards for the Green Bay Metropolitan Sewerage District (GBMSD) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Revenues and expenditures in the schedule are presented in accordance with the accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the GBMSD's 2016 financial statements. Accrued revenue at year-end consists of federal program expenditures scheduled for reimbursement to the GBMSD in the succeeding year while deferred revenue represents advances for federal programs that exceed recorded the GBMSD expenditures. The GBMSD has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

Major federal programs are identified in the Schedule of Findings and Questions Costs are determined as follows:

Federal Programs: The GBMSD does not qualify as a low risk auditee. Therefore major programs, as identified in Section I of the Schedule of Findings and Questioned Costs, represent those with combined expenditures exceeding 40% of total federal awards that also were deemed major programs based on the auditors' risk assessment. All other federal programs are considered non-major programs.

**NOTE C - OVERSIGHT AGENCIES**

The federal oversight agency for the GBMSD is the U.S. Environmental Protection Agency.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT  
GREEN BAY, WISCONSIN**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016

**Section I - Summary of Auditors' Results**

**Basic Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	None Reported
Noncompliance material to basic financial statements noted?	No

**Federal Award Programs**

Internal control over major program:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Audit threshold used to determine between Type A and Type B programs: Federal Awards	\$1,683,900
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Auditee qualified as low-risk auditee	No
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Identification of major federal program:

CFDA Number	Name of Federal Programs
66.458	Capitalization Grants for Clean Water State Revolving Funds

**Section II - Financial Statement Findings**

There are no findings related to the financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2016.

**GREEN BAY METROPOLITAN SEWERAGE DISTRICT**  
**GREEN BAY, WISCONSIN**  
Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2016

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2015.