

# **THE METROPOLITAN DISTRICT**

**Hartford County  
Hartford, Connecticut**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**Year Ended December 31, 2017**

**THE METROPOLITAN  
DISTRICT**

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Hartford, Connecticut**

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FINANCIAL REPORT**

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Finance Department

John M. Zinzarella

*Chief Financial Officer*

**THE METROPOLITAN DISTRICT  
TABLE OF CONTENTS  
DECEMBER 31, 2017**

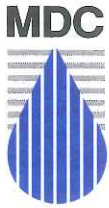
<b>Introductory Section</b>		<b>Page</b>
Letter of Transmittal		i-xv
GFOA Certificate of Achievement		xvi
Organizational Chart		xvii
The District Board		xviii-xx
Distribution of District Board Membership		xxi
Board of Finance		xxii
<b>Financial Section</b>		
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-13
<b>Exhibit</b>	<b>Basic Financial Statements</b>	
	Government-Wide Financial Statements:	
I	Statement of Net Position	14
II	Statement of Activities	15
	Fund Financial Statements:	
III	Balance Sheet - Governmental Funds	16-17
IV	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18-19
V	Statement of Net Position - Proprietary Funds	20
VI	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	21
VII	Statement of Cash Flows - Proprietary Funds	22
VIII	Statement of Fiduciary Net Position	23
IX	Statement of Changes in Fiduciary Net Position	24
X	Notes to the Financial Statements	25-61
<b>Required Supplementary Information</b>		
RSI-1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	62-64
RSI-2	Schedule of Changes in the Net Pension Liability and Related Ratios - MDERS	65
RSI-3	Schedule of Contributions - MDERS	66
RSI-4	Schedule of Investment Returns - MDERS	67
RSI-5	Schedule of Changes in Net OPEB Liability and Related Ratios - Retiree Health Plan	68
RSI-6	Schedule of Contributions - Retiree Health Plan	69
RSI-7	Schedule of Investment Returns - Retiree Health Plan	70

Assessable Sewer Construction Capital Projects Fund:		
A-1	Schedule of Changes in Assessments Receivable - Connection Charge Projects	71
A-2	Schedule of Changes in Assessments Receivable - Flat Rate Projects	72
Water Utility Fund:		
B-1	Combining Schedule of Net Position	73
B-2	Combining Schedule of Revenues, Expenses and Changes Net Position	74
B-3	Combining Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual - Budgetary Basis	75-77
Fiduciary Funds:		
C-1	Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds	78
C-2	Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds	79

Table	Statistical Section	
-------	---------------------	--

Financial Trends:		
1	Net Position by Component	80
2	Changes in Net Position	81
3	Fund Balances of Governmental Funds	82
4	Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	83
Revenue Capacity:		
5	Distribution of Annual Tax Levy	84
Debt Capacity:		
6	Ratios of Outstanding Debt by Type	85
7	Legal Debt Margin Information	86
8	Schedule of Debt Limitation and Legal Debt Margin	87
Demographic and Economic Statistics:		
9	Demographic and Economic Statistics	88
Operating Information:		
10	Full-Time Equivalent Government Employees by Function/Program	89
11	Operating Indicators/Capital Asset Statistics by Function/Program - Water	90
12	Operating Indicators/Capital Asset Statistics by Function/Program - Sewer	91

# **INTRODUCTORY SECTION**



The Metropolitan District  
water supply • environmental services • geographic information

June 21, 2018

District Chairman  
Members of the Board of Finance  
Members of the District Board  
The Metropolitan District  
Hartford, Connecticut

Dear Commissioners and Citizen Members:

State law requires that every governmental unit publish, within six months of the close of each fiscal year, a complete set of audited financial statements conforming to generally accepted accounting principles (GAAP) for governmental units and audited by a firm of licensed public accountants in accordance with auditing standards generally accepted in the United States of America. We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of The Metropolitan District (hereafter, “the District” or “the MDC”) for the year ending December 31, 2017.

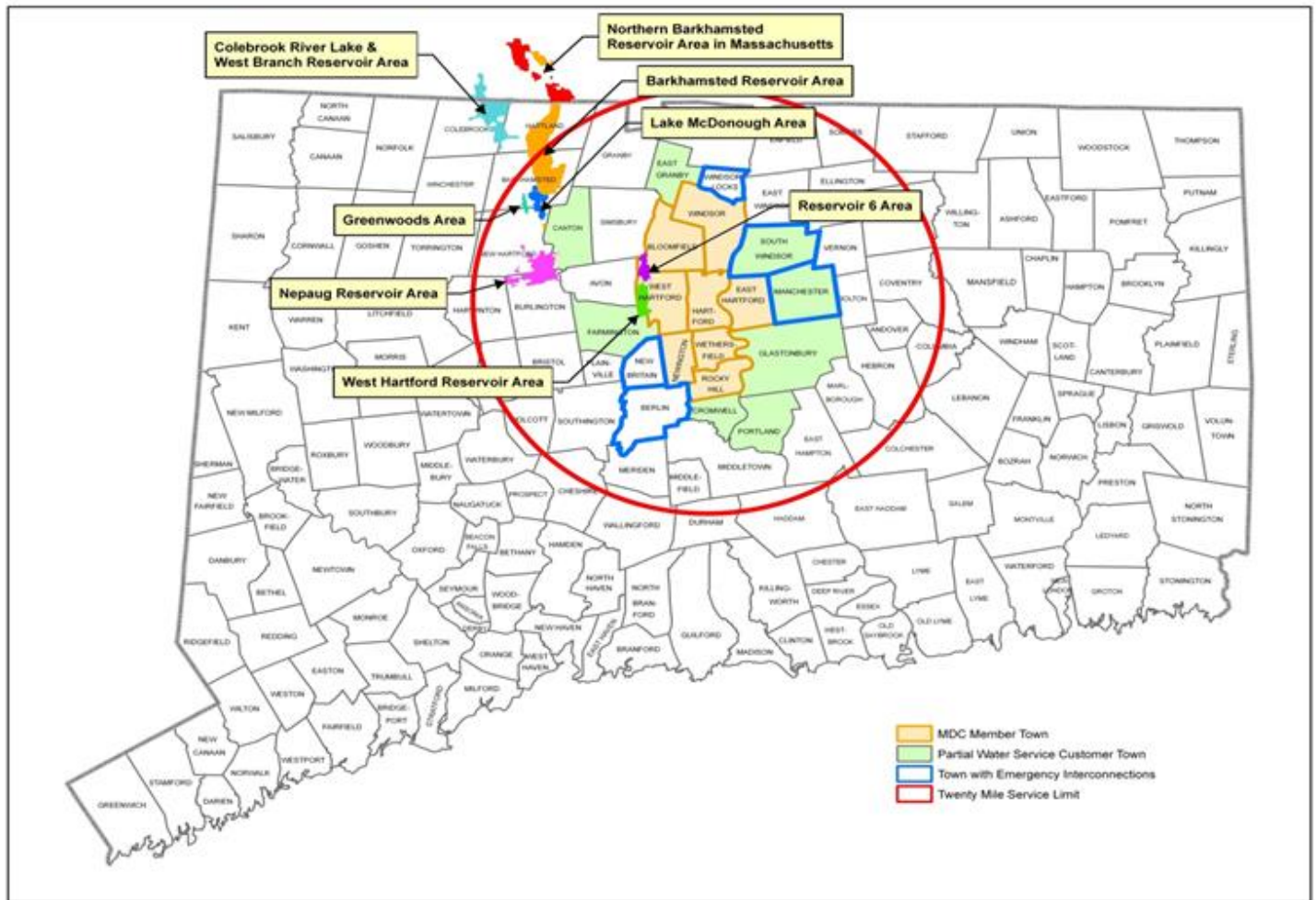
Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control established for this purpose. Because the cost of internal controls should not exceed their anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Blum, Shapiro & Company, P.C., licensed certified public accountants, has issued an unmodified (“clean”) opinion of the District’s financial statements for the year ended December 31, 2017. The independent accountant’s report is located in the front of the financial statement section of this report.

The MDC’s fiscal year 2017 audit includes an audit of all federal grants in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which provides, in part, that state and local governments expending more than \$750,000 in federal financial assistance must have a single audit for the fiscal year. The single audit is in lieu of any financial and compliance audits required by any federal agency.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## PROFILE OF THE DISTRICT



### Description of the District

The District was created by the Connecticut General Assembly in 1929 and operates as a specially chartered municipal corporation of the State of Connecticut under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended (the "MDC Charter"). The Member Municipalities incorporated in the District are the City of Hartford and the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor (the "Member Municipalities"). The District's purpose is to provide a complete, adequate and modern system of water supply and sewage collection, treatment and disposal for its Member Municipalities. Additionally, because of a Charter amendment approved by the Connecticut General Assembly in 1979, the District is also empowered to construct, maintain, and operate hydroelectric dams. The District also provides sewage disposal and supplies water, under special agreements, to all or portions of several non-member towns as well as various state facilities. These towns currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor, Unionville and Windsor Locks.

## The District Board

A 33-member Board of Commissioners, referred to as the District Board, governs the District. The Member Municipalities appoint seventeen of the commissioners, eight are appointed by the Governor, and four are appointed by the leadership of the Connecticut State Legislature. Four nonvoting commissioners are appointed from the nonmember municipalities of Glastonbury, South Windsor, East Granby and Farmington. Appointments made by municipalities having three or more members are subject to the minority representation provisions of Section 9-167a of the Connecticut General Statutes. All commissioners serve without remuneration for a term of six years.

## DISTRIBUTION OF DISTRICT BOARD MEMBERSHIP

	Appointed By:				
	Commissioners	Member Municipality	Non-Member Municipality	Governor	Connecticut State Legislature
Bloomfield.....	1	1	0	0	0
East Hartford.....	4	3	0	1	0
Hartford.....	9	6	0	3	0
Newington.....	2	1	0	1	0
Rocky Hill.....	1	1	0	0	0
West Hartford.....	4	3	0	1	0
Wethersfield.....	2	1	0	1	0
Windsor.....	2	1	0	1	0
District at Large....	4	0	0	0	4
Farmington.....	1*	0	1	0	0
Glastonbury.....	1*	0	1	0	0
South Windsor.....	1*	0	1	0	0
East Granby.....	1*	0	1	0	0
<b>Total.....</b>	<b>33</b>	<b>17</b>	<b>4</b>	<b>8</b>	<b>4</b>

\* - non voting

## Powers and Responsibilities of the District Board

The District Board is authorized to establish ordinances and bylaws; organize committees and bureaus; define the powers and duties of such bodies; fix salaries and define the duties of all officers and employees; appoint deputies to any officers or agents of the District; and issue negotiable bonds, notes or other certificates of debt to meet the cost of public improvements or to raise funds in anticipation of taxes or water revenue, which debt shall be an obligation of the District and its inhabitants. The District Board has the power to levy a tax upon the Member Municipalities to finance the operational and capital budget of the General Fund.

The District Board refers a proposed budget of revenues and expenditures to the Board of Finance annually. The Board of Finance reviews the proposed budget, makes adjustments if desired, and refers it back to the District Board for final enactment.

Capital project appropriations to be financed by the issuance of bonds, notes and other obligations of the District are subject to approval of the District Board upon recommendation of the Board of Finance.



**Administration**

Responsibility for the overall administration and management of the District policy, operations and services rests with the Chief Executive Officer. The Chief Executive Officer has direct responsibility for the Human Resources, Procurement and Information Technology functions and manages the remaining functions through the Deputy CEO of Engineering and Operations and Deputy CEO of Business Services. The Deputy CEO of Engineering and Operations has responsibility for design and construction of the District’s Clean Water Project, Asset Management and capital planning programs, engineering, maintenance operations, water pollution control, water treatment and supply, and environment, health and safety functions of the District. The responsibilities of the Deputy CEO of Engineering and Operations have largely been assumed by the Director of Engineering on an interim basis. The Deputy CEO of Business Services has responsibility for the District’s accounting, budgeting, treasury, risk management, and customer service functions.

**District Chairs and District Officials (as of December 31, 2017)**

<b>Function</b>	<b>Chair</b>	<b>Date Term Ends</b>
District Board.....	William A. DiBella	2020
Water Bureau.....	Raymond Sweezy	2018
Bureau of Public Works.....	Richard W. Vicino	2021
Personnel, Pension & Insurance.....	Alvin E. Taylor	2021
Board of Finance.....	Pasquale J. Salemi	2022

<b>Position</b>	<b>District Officials</b>
Chief Executive Officer.....	Scott W. Jellison
District Clerk.....	John S. Mirtle
District Counsel.....	R. Bartley Halloran
Deputy CEO of Engineering & Operations..	Open
Deputy CEO of Business Services.....	John M. Zinzarella
Director of Engineering.....	Susan Negrelli
Director of Facilities.....	Thomas A. Tyler
Director of Finance.....	Robert Constable
Director of Human Resources.....	Robert J. Zaik
Director of Operations.....	Christopher J. Levesque
Director of Procurement.....	Kelly J. Shane

Source: District Officials.

## District Employees

As of December 31, 2017, there were 474 full-time employees at the MDC.

### District Employees Covered by Collective Bargaining Unit Agreements - 2017

<u>Bargaining Groups</u>	<u>Positions Covered</u>	<u>Current Contract Expiration Date</u>
Clerks, Technicians and Non-Supervisory Engineers - Local 3713	105	December 31, 2018
Supervisors - Local 1026	54	December 31, 2018
Operational - Local 184	<u>214</u>	December 31, 2018
<b>Total Collective Bargaining Unit Employees</b>	<b>373</b>	

## District Functions

Principal functions of the District are the development and maintenance of sewer and water systems within the boundaries of its Member Municipalities. Additionally, as a result of Charter amendments approved by the Connecticut General Assembly, the District is also empowered to construct, maintain and operate hydroelectric dams.

The District's **Bureau of Public Works** is responsible for the sanitary sewer system, which includes collection, transmission and treatment of sewage from within boundaries of the Member Municipalities and treatment of sewage received from non-member municipalities by special agreement. The Bureau of Public Works is empowered to authorize the layout and construction of additions and improvements to the sewer system, assess the betterments to property abutting the sanitary sewer line, defer assessments as authorized by ordinance, and act on such other matters that, by MDC Charter, Ordinances or By-Laws, must first be voted upon by the Bureau and then referred to the District Board for final authorization. Public hearings are held as needed. The Bureau of Public Works acts as a court for the assessment of betterments and appraisal of damages. Any party claiming to be aggrieved may take an appeal to the Superior Court of the Judicial District of Hartford.

The District's **Water Bureau** is responsible for the water system that includes storage, transmission, treatment and distribution of water to customers. In addition, the Water Bureau is responsible for acquisition, construction and operation of hydroelectric plants. This bureau is empowered to make such bylaws or regulations for the preservation, protection and management of the water operations as may be deemed advisable. These include the power to establish rates for the use of water and adopt rates for the assessment of benefits upon lands and buildings resulting from installation of water mains and service pipes.

Several other committees are created by the MDC Charter or established by the District Board to carry out various other functions.

Additionally, the General Assembly of the State of Connecticut passed special legislation enabling the District to maintain a series of parks (developed by Riverfront Recapture) along the Connecticut River. The cost of maintaining Riverfront Recapture's parks is incorporated into the District's water budget and recovered through water rates. The District also engages in surveying and mapping as a service to its Member Municipalities and its own operations.

## **ECONOMIC CONDITION AND OUTLOOK**

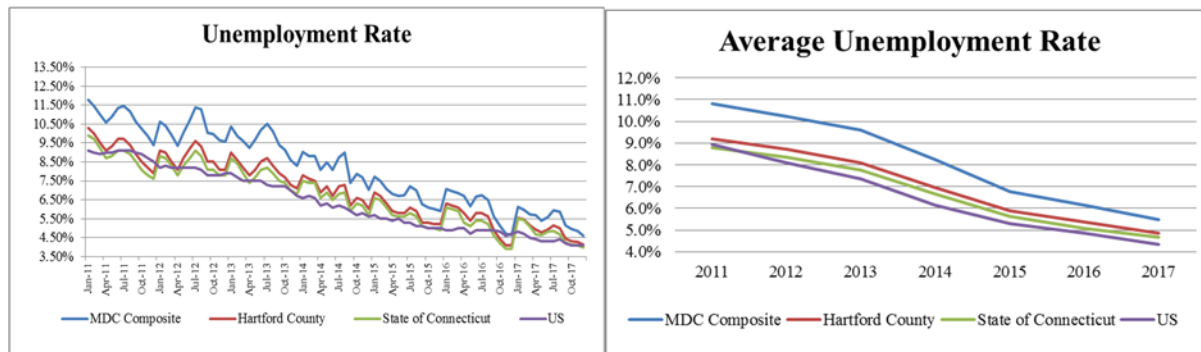
### **Local Economy**

The Member Municipalities of the MDC are a mixture of urban and suburban communities with an aggregate population of approximately 365,000 people, and median family incomes ranging from \$36,156 to \$119,730. These diverse Member Municipalities comprise a strong and stable service area as evidenced by positive compound annual growth rates in the combined grand lists over the past five and ten-year periods (0.84% and 1.46%, respectively). The combined grand lists not only reflect single family residences and multifamily housing units, but also include major industries such as manufacturers of technology products, building systems and aerospace industries, hospitals, universities, utilities and several financial institutions and insurance companies.

Economic conditions generally affecting the State of Connecticut have a significant impact on the District's Member Municipalities and on employment opportunities for area residents. The economic conditions within the State of Connecticut and specifically affecting Hartford delayed the adoption of the biennial budget by the State of Connecticut General Assembly until the end of October 2017, when it was signed by the Governor. This biennial budget provided funding for municipal assistance grants and authority for contract assistance for refunding debt which is a benefit to the City of Hartford, but other Member Municipalities had reduced funding levels from the State of Connecticut for various programs. The Member Municipalities had to balance property tax increases against the reduction of municipal services to focus on core programs. Spending increases from prior years have been offset by concession agreements with unions, cost containment strategies such as hiring freezes, re-engineering service delivery methodologies, reduction in capital programs and debt refinancing to take advantage of low municipal bond market rates, however these potential savings are coming difficult to find. The Member Municipalities, for the most part, have retained their strong financial positions by adopting a proactive approach to dealing with the reduced funding levels from the State of Connecticut. Seven of the eight MDC Member Municipalities have ratings that are higher than Aa (Moody's) or AA (S&P) and comprise 74.33% of the total Ad Valorem distribution. Of those seven, two carry Aaa (Moody's) or AAA (S&P) ratings which comprise 31.48% of the total Ad Valorem distribution.

Within the last decade, the local MDC labor market area experienced high unemployment rates. At the end of 2016, the MDC composite service area's unemployment rate of 4.6% was back down to the lowest point since 2001, and remained there at the end of 2017. Over the past ten years, the unemployment rate low was 4.6% at the end of each of 2016 and 2017 and the high was 11.9% in 2010, with a ten-year average rate of 8.5%.

As depicted in the graphs below, the MDC composite service area unemployment rate has followed the same downward trend as the United States national unemployment rate since the beginning of 2010; however, the MDC composite service area unemployment rate had been approximately 25% higher than the national average, reflecting the area's slower recovery from the national recession.



The City of Hartford continued to face significant fiscal structural challenges throughout 2017 and these issues have impacted the MDC. During July 2017, the MDC received a further downgrade from Moody's (Aa3 Negative Outlook) due to the City of Hartford's unresolved financial distress. The impact of both the State of Connecticut and City of Hartford financial issues have resulted in higher interest costs for the MDC.

During the 2017 legislative session, Public Act 17-2 established the Municipal Accountability Review Board (MARB). The City of Hartford's City Council approved the request from the Mayor to apply for state monitoring under the MARB during December 2017. During the first quarter of 2018, the City of Hartford executed a contract assistance agreement with the State of Connecticut under which, the State will pay the City amounts equal to the debt service on the City's \$543M of general obligation debt. In return the City needs approvals of the State and/or the MARB for annual budgets, debt issuances, and significant contracts, as well as requiring the City to submit a five year financial forecast for their recovery plan. The five year recovery plan has been approved and the City of Hartford received \$20M in municipal assistance grants. In response to the execution of the contract assistance agreement, the City of Hartford had its underlying ratings increased to B2 (Moody's) and BB+ (S&P) with stable outlook.

### **Fiscal Responsibility, Strategic Outlook and Long Term Financial Planning**

Consistent with our adopted Strategic Plan, the MDC proactively monitors the current business and statutory environment in which the MDC operates, and continually evaluates its operating policies and procedures and rate structure as well as how the MDC interacts with its customers and key stakeholders. As discussed above, the City of Hartford has been facing fiscal challenges due to its structural fiscal imbalance, which caused some to question Hartford's continuing ability and willingness to meet its financial obligations to the MDC.

The MDC's Adopted 2017 budget incorporated a contingency plan, using the charter powers it then had, dealing with the possibility that the City of Hartford might be unwilling or unable to meet its Ad Valorem tax obligations to the District in the second half of calendar year 2017. Under the Adopted Plan, the MDC assessed an additional component of its annual tax due at the end of October 2017, in an amount sufficient to raise from the other seven Member Municipalities all or part of the taxes assessed against, but unpaid by, the City of Hartford due in mid-July and mid-October 2017. If the City of Hartford paid all or a portion of those tax installments by December 31, 2017, the additional component would be promptly reduced or returned in full to the other seven Member Municipalities. The contingency plan was necessitated by the MDC's fixed annual budget cycle and limited tools for addressing a possible default. In turn, it presented challenges for the MDC's Member Municipalities' own budgets.

To enhance its ability to respond to a possible default by any Member Municipality, the MDC sought changes to its Charter in the recently concluded legislative session of the General Assembly. With the support of the Member Municipalities, on May 16, 2017, Public Act 17-1 was signed into law by the Governor. In addition to the MDC's already existing powers outlined in its Charter, the new legislation provides the following:

- Authorizes the MDC to levy additional taxes on the Member Municipalities during the fiscal year if a Member Municipality was late, or did not pay its portion of Ad Valorem tax;
- Expands the MDC's ability to borrow on a short-term basis to include working capital (operational) purposes, in addition to funding for capital projects, for a term up to three years; and
- Redirects State of Connecticut PILOT payments under Section 12-18b, otherwise payable to a Member Municipality, to the MDC if the Member Municipality fails to pay Ad Valorem tax to the MDC within the MDC's fiscal year.

The MDC expects that these tools will allow it to react to a mid-year default by a Member Municipality in a timely, less disruptive and more accommodating fashion. The tools provided by Public Act 17-1 combined with MARB oversight, contract assistance and restructuring grants for Hartford, as noted in the Local Economy section, has significantly reduced the potential impact of a Member Municipality default on the MDC's finances.

Given the increased complexity and demands of the Clean Water Project, the MDC has developed and maintained complex and sophisticated forecasting models to plan future short- and long-term debt issuances, develop comprehensive cash flow projections, and determine impacts on future rate structures. Utilizing these tools proactively has enabled the MDC to model numerous scenarios and communicate effectively with its commissioners, customers, key stakeholders, the State and members of the investment community about the MDC's financial position, progress of the Clean Water Project and the MDC's future financing plans.

Over the past several years, the MDC has operated within a soft economy created by the economic recession and has managed to work through this difficult period while experiencing both operating expense increases and increased capital obligations related to the Clean Water Project and the Asset Management Program. As noted in the Local Economy section, the MDC composite service area unemployment rate has been tracking higher than both the national and the State of Connecticut data. In addition, approximately 13.7% of the people in the MDC current service area live at or below the poverty level. Understanding what our obligations are under the Clean Water Project and the impact on future cost of service to our customers, the MDC is vigilant in its efforts to offset operating expense increases.

The MDC has explored structural efficiencies and implemented cost reduction initiatives over the past several years and these efficiency gains have allowed the District to moderate increases in ad valorem rates although the level of wastewater construction activity has increased significantly since 2007. The modest increases in the ad valorem rate structure (3.46% CAGR, compound annual growth rate, since 2007, inclusive of the adopted 2018 rate structure) has provided stability and predictability to the Member Municipalities. The MDC Sewer Operations, with \$1.68 billion in net capital assets as of December 31, 2017, is a capital intensive business. To maintain the appropriate level of service for Member Municipalities,

capital infrastructure reinvestment is required as that infrastructure ages. Since 2007, the Sewer Operations debt service has experienced a CAGR of 8.34%, a rate more than double the CAGR of the MDC Ad Valorem tax over the same period. The ability of the MDC to access cost effective financing combined with its ability to develop and implement efficiency gains and cost reduction initiatives has enabled the MDC to soften the financial burden on its Member Municipalities from the full cost of Sewer Operations facility reinvestment. Recent increases in interest rates will challenge the MDC's continued ability to do so.

At the same time, the base water rate has also increased moderately over the past several years (4.38% CAGR since 2007, inclusive of the adopted 2018 rate structure) while overall consumption has decreased (-2.22% CAGR since 2007, inclusive of the 2017 actual consumption) due to end user conservation activities as well as the introduction of more water efficient commercial processes and consumer appliances. In absolute terms, water consumption has decreased 4.82M ccfs since 2007 to the consumption level of 19.13M ccfs in 2017. Like its sewer operations, the MDC Water Utility Operations is a capital intensive business with \$0.57 billion in net capital assets as of December 31, 2017. In order to support the aging infrastructure that enabled the MDC to maintain more than adequate water supplies during the recent drought, capital infrastructure reinvestment is required. Since 2007, the Water Utility Operations debt service has experienced a CAGR of 18.14%, more than four times the CAGR of the base water rate over the same period, even considering the decline in consumption over the same period. Again, the MDC's ability to access cost effective financing combined with its ability to develop and implement efficiency gains and cost reduction initiatives has enabled the MDC to soften the financial burden on its water customers from the full cost of Water Utility facility reinvestment. Even with this level of infrastructure reinvestment, the MDC maintains a base water rate that is one of the lowest among water utilities within the State of Connecticut. Recent increases in interest rates may challenge the MDC's continued ability to do so.

As a result of these proactive actions, the MDC maintains a positive unassigned fund balance in the general fund (27.8% of total general fund revenues), and an unrestricted net asset balance in the water utility fund (15.07% of total water utility revenues). Through prudent planning and funding, the Metropolitan District Employee's Retirement System (MDERS), under GASB 67, has a plan fiduciary net position as a percentage of total pension liability of 85.53% as of December 31, 2017. Collectively, these measurements illustrate the financial strength of the District.

In addition, based upon the Debt Limitation as outlined in the MDC Charter, as of December 31, 2017, the District has \$314.19 million of available borrowing capacity. Due to its strong financial footing, the District continues to execute not only the Clean Water Project, but also the essential elements of its Strategic Plan. As it does so, its available borrowing capacity will remain at this level for the next several years.

With this focus and self-awareness, the District has resourced and staffed itself to manage both its core operations as well as the projected Clean Water Project activities. These efforts will assist the District to continue to meet its significant operational and capital obligations while striving to maintain one of the region's lowest water and sewerage rate structures.

## **MAJOR INITIATIVES**

### **Clean Water Project**

The MDC entered into a consent decree in the United States District Court of the District of Connecticut, with the United States Department of Justice, the U.S. Attorney's Office, the United States Environmental Protection Agency and the State of Connecticut Attorney General (the "U.S. Consent Decree"), and a consent order, general permit for nitrogen discharges, and existing municipal national pollutant discharge elimination system permits of the State of Connecticut Department of Energy and Environmental Protection (CTDEEP), all entered into with the Commissioner of the CTDEEP (the "Connecticut Consent Order", and together with the U.S. Consent Decree, the "Governmental Orders"). These set forth the obligation of the MDC to achieve Federal Clean Water Act goals of eliminating sanitary sewer overflows (SSOs), reducing combined sewer overflows (CSOs) and reducing nitrogen discharges from our water pollution control facilities into state waterways. The Governmental Orders provide for milestones and goals, with expenditures and budgets monitored by the EPA and CTDEEP, but with the means and methods of achieving those milestones and goals resting with the MDC.

The MDC has developed a multi-year program to comply with its obligations under the Governmental Orders, which includes the "Clean Water Project". The primary goal of the Clean Water Project is to address the approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. To date, the MDC is in compliance with all aspects of the Governmental Orders.

The Clean Water Project is an expansion in the capacity and efficiency of the MDC's existing sanitary waste treatment systems, but does not represent an expansion of the system into new areas. The Clean Water Project is expected to be undertaken in such a manner that the overall system will remain in continuous operation. The MDC is confident that the Clean Water Project will be completed successfully through the ongoing active management of scope, schedule and risk by its project teams.

As the Clean Water Project has progressed, the MDC has revised the original design concept. The MDC has been able to refine certain design elements to achieve cost savings, has altered some aspects of the original design, and continues to examine the Clean Water Project for efficiencies that can be achieved through value engineering. The Long-Term Control Plan, which sets out the details of the Clean Water Project, was resubmitted in 2012 and revised further in 2015. It incorporates longer underground storage tunnels with greater capacity and less sewer separation work, than original conception, and sets forth a completion of Phase II in 2024 and Phase III in 2029. The revised plan was approved in April 2015. The delays occasioned by the redesign and permitting process, particularly with respect to the South Tunnel, now lead the MDC to expect an increase in projected costs of the Clean Water Project as a whole, but the MDC has not revised its overall cost estimates, in part because design and siting work for Phase III has not yet been conducted in sufficient detail. For planning purposes, the MDC is currently projecting a total cost of the Clean Water Project of \$2.5 billion. Accordingly, the MDC has refocused the goals of the Clean Water Project to be consistent with the approved LTCP and established new milestone dates which are incorporated in the revised LTCP.

Connecticut DEEP has confirmed that the MDC's next submission for an update to the Long-Term Control Plan is in 2018. The MDC intends to comply with such request. Data from recent testing performed by the MDC indicates there are other sources of pollution affecting the North Branch of the Park River, which is causing the MDC to revisit the utility of the North Tunnel for its intended purposes and will result in the MDC proposing changes to its Long-Term Control Plan in its 2018 submission. More cost effective options to be evaluated and considered include focused sewer separation, lining and rehabilitation of existing sewers and systems of tunnels and conduits. In addition to these potential solutions, the MDC plans to incorporate the Integrated Plan Concept in its 2018 submission. Under the Integrated Plan Concept, the Consent Decree and Consent Order take into account other spending requirements for the overall operating and capital expenditures of the sewer system when determining the affordability of the project.

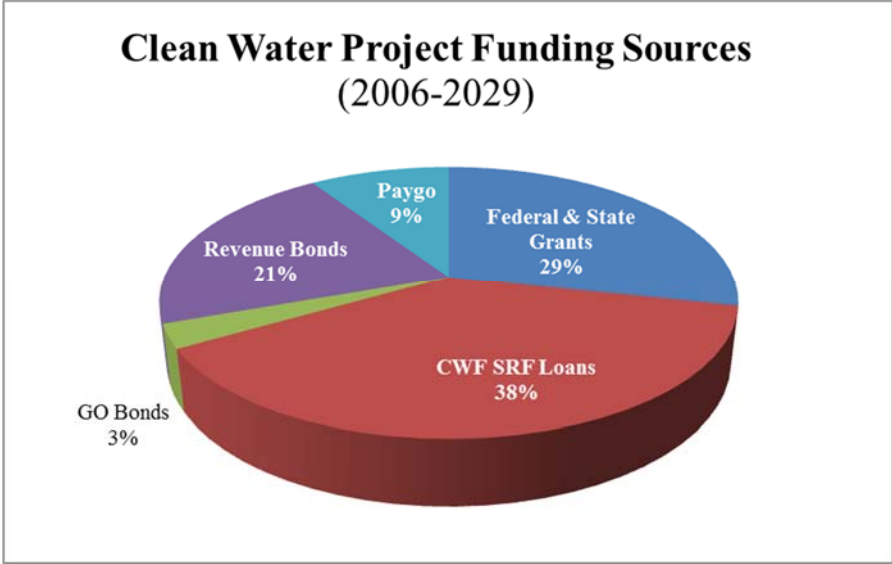
In 2006 and again in 2012, the MDC sought and gained approval through referendum to spend \$800 million to comply with the Federal and State mandates. To date, the MDC has received cumulative authorizations to expend \$1.74 billion. The MDC has made no determination as to when any additional referendum, if necessary, will be held. The MDC expects that all projects contemplated within the cumulative authorization of \$1.74 billion will be completed within the authorized appropriations, and to be placed in service without regard to the outcome of any additional referendum. Through the end of 2017, the MDC has expended \$1.12 billion against the \$1.74 billion in authorizations. The spending authorizations approved by the two referenda to date are in addition to the annual appropriations for capital projects authorized in Section 3-11, as amended by Section 2 of P.A. 15-114.

As noted, the MDC has proactively sought and achieved cost savings through embracing new technologies and value engineering, and continues to examine the Clean Water Project as well as the integrated plan concept in search of more efficient and effective ways to complete the project and comply with the Governmental Orders. In addition, some individual projects within the Long-Term Control Plan have been completed at lower than estimated costs, in large part due to a competitive construction market. Notwithstanding, giving the fluidity of the market and circumstances largely outside our control, the MDC cannot give any assurances as to when full compliance with the Governmental Orders will be achieved or its total cost.

## **Plan of Finance**

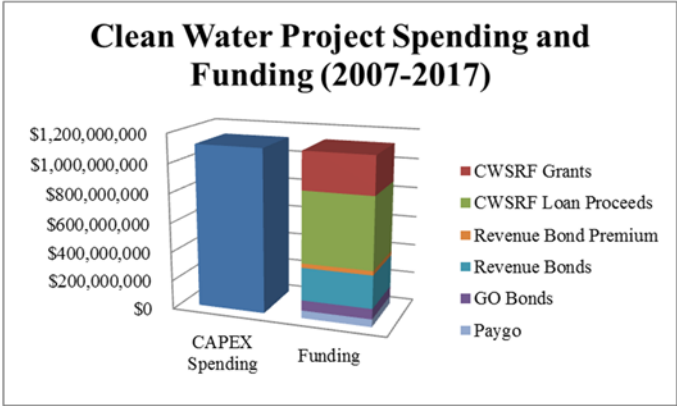
The District's goal is to fund the projects necessary for compliance with the Governmental Orders with revenue bonds, general obligation debt and State Revolving Fund Program loans from the State of Connecticut Clean Water Revolving Fund Program ("Clean Water Fund") supported by the "Special Sewer Service Surcharge". It is also expected that upwards of 29% of the entire project will be funded with State and Federal grants, which require no repayment from the MDC. The largest funding source for the project will be the State of Connecticut Clean Water Fund loans at upwards of 38% of the entire project cost with the balance being funded through the issuance of MDC open market debt instruments (primarily revenue bonds). The chart below details the anticipated funding sources for the Clean Water Project.





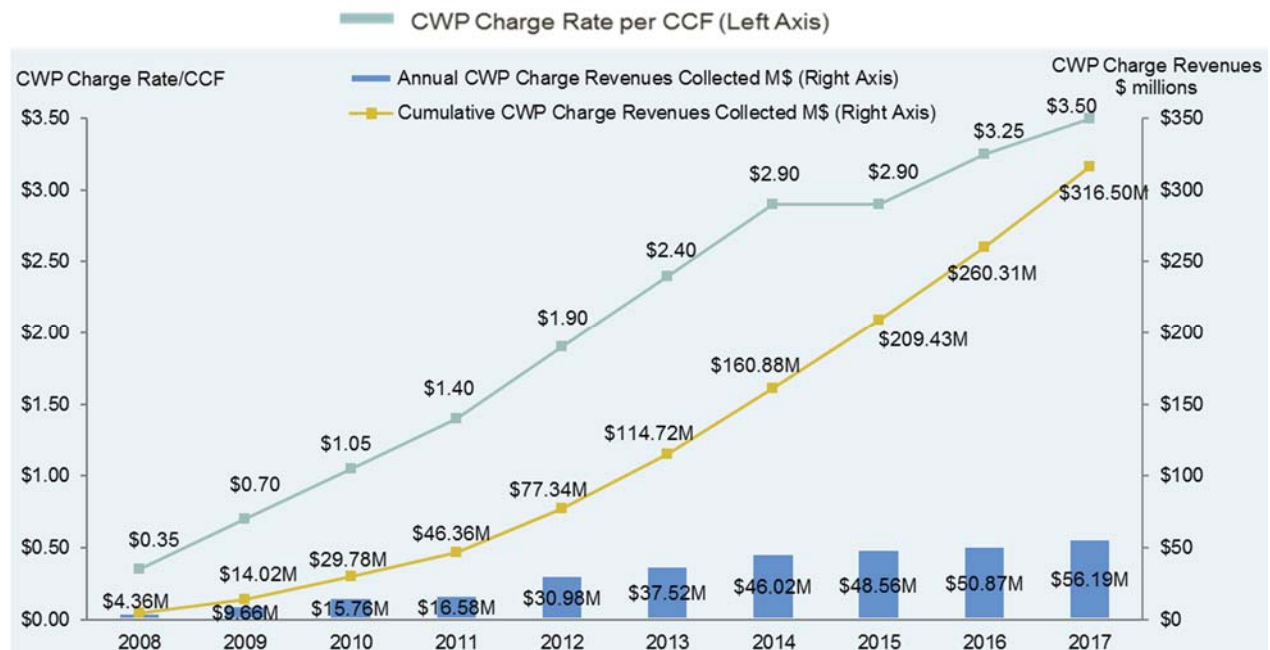
The revenue bonds are issued under the Special Obligation Indenture. The debt service of the Clean Water Project as shown in the above chart will also include Clean Water Fund loans and general obligation borrowings that will be issued only to finance the Clean Water Project and are expected to be paid from the Special Sewer Service Surcharge.

To date the State's Clean Water Fund program has funded and committed approximately \$402.0 million in State and Federal grants to the Clean Water Project, and fund committed approximately \$651.9 million in State and Federal loans through Interim Funding Obligation and Project Loan Agreements, which bear interest at 2% per year. To date the MDC has issued \$71.2 million in general obligation bonds to finance the Clean Water Project, and \$225 million in revenue bonds. It is expected that further bonds issued to finance the projects necessary to comply with the Governmental Orders will be revenue bonds issued pursuant to the Special Obligation Indenture.



The Special Sewer Service Surcharge, established by ordinance, may be used to pay principal and interest on indebtedness issued for the purpose of complying with the mandates of the Governmental Orders, including general obligation bonds, revenue bonds and Clean Water Fund borrowings and debt service on indebtedness incurred by the MDC for funding other capital expenditure in connection with compliance with the Governmental Orders. It is not available to pay operating expenses.

### Historical Clean Water Project Rates and Revenues



The MDC's general obligation borrowings and State of Connecticut Clean Water Revolving Fund Loans, as they contain a general obligation pledge, whether for the Clean Water Project or other capital purposes, are subject to an overall debt limit set out in the MDC Charter. The MDC could not borrow sufficient funds for purpose of complying with the Governmental Orders without exceeding this debt limit. By statute, however, sewer indebtedness payable solely from a pledged sewer user charge is not counted against the debt limit, and accordingly, all revenue bonds issued under the Special Obligation Indenture may be issued by the MDC without limiting its ability to borrow for other capital purposes.

The Special Sewer Service Surcharge, by ordinance, is established annually as part of the MDC's budget process, therefore it cannot be established for future periods, and while it is expected to be comparatively stable in terms of collectability, it is nevertheless subject to collection risk. The MDC believes it is good business practice to escalate this charge smoothly in the future as it borrows for expenditures related to the Governmental Orders, hold it level, and decrease it smoothly as it repays the indebtedness. The MDC has created a fund within the Special Obligation Indenture - the Rate Stabilization Fund - to allow the MDC to hold Pledged Revenues for the purposes of paying debt service indebtedness in future periods, future capital expenses related to projects to ensure compliance with the Governmental Orders and to guard against potential shortfalls in collections.

The overall plan of finance thus contemplates the issuance of revenue bonds under the Special Obligation Indenture, subject to an additional bonds test, which would be outside the MDC's debt limit contained in the MDC Charter. Such bonds are secured by a gross pledge of revenues from the Special Sewer Service Surcharge. Any such revenues not required for payment of principal and interest on the Bonds could be released from the pledge of the Indenture to pay subordinate revenue bonds issued to comply with the Governmental Orders, other borrowings for purposes of compliance, or general obligation borrowing for purposes of compliance, or retained within the Rate Stabilization Fund to pay future capital expenditures, principal and interest related to compliance with the Governmental Orders.

The MDC believes this plan of finance will allow it to fulfill remain in full compliance with the Governmental Orders, comply with its debt limit under the MDC Charter, fund its other capital requirements, and maintain good business practices with respect to its customers.

### **FUTURE PLANS**

The District will continue to focus on its strategic vision and values through the following key initiatives:

- Asset Management – Continue to operate the State's most advanced system of enhanced technology to more efficiently prioritize future repair, replacement and maintenance of MDC infrastructure, thereby optimizing short and long-range infrastructure investment to balance cost of service to the members towns and customer base;
- Contracting and Procurement – Establish an effective, efficient and scalable process that ensures procurement integrity and utilizes available best practices to enable the MDC to address the growing demands of its core operations as well as the Clean Water Project, while providing improved service and equity to a growing and increasingly diverse vendor community;
- Continued Enhancement of Customer Service – Continue our transformation towards a more "Customer Centric" focused organizational culture. Provide improved communication portals/mediums to transmit and receive customer communications and to further improve our process to resolve customer issues and concerns;
- Human Capital/Succession Planning – Proactively evaluate and prioritize the organizational needs of the MDC, including plans for the transfer of institutional knowledge to ensure a stable, dedicated, skilled and diverse workforce responsive to changing demands in technology and customer expectations;
- Environmental Stewardship/Compliance – Maintain continual environmental and regulatory compliance, consent order/decreed compliance and natural resource management consistent with regulatory requirements and all existing agreements;
- Performance Assessment/Process Re-Engineering – Maintain the enhanced program to continually assess and improve our performance. Continue to realign the organization and its processes to support the strategic vision of the District Board;
- Continued Enhancement of Stakeholder Communications – Maintain and enhance an internal and external communications plan which continues to establish more open communications and transparency with our member towns, customers and stakeholders; and

- Development of Water Supply Resources and New Water Business Opportunities- Further development of the water supply resource (includes both subsurface and surface water supply sources) and expansion of the customer base to optimize use of our water assets and revenue growth from increased water sales.

We hope that our continued fiscally and environmentally responsible actions demonstrate our concern and commitment to our customers, member towns, stakeholders, investors and the citizens of the State of Connecticut. We pride ourselves in knowing that our customers enjoy the highest quality drinking water in the region at a cost that is consistently lower than any public or private water supply provider of similar size, anywhere in Connecticut. At the same time, we also take great pride in engineering and constructing the largest public works project in New England, the Clean Water Project, with the overwhelming support of our Member Municipality constituents. Looking forward, the MDC will continue to develop sound business goals and adopt implementation plans that fulfill the performance objectives set forth in the Strategic Plan.

### **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MDC for its CAFR for the fiscal year ended December 31, 2016. This prestigious award is conveyed to government entities who publish an easily readable and efficiently organized CAFR that satisfies all GAAP and applicable legal reporting requirements. This Certificate of Achievement is valid for a period of one year, however, we believe that our current CAFR continues to meet the rigorous standards that the Certificate of Achievement Program requires and the MDC is submitting to the GFOA to determine its eligibility for a certificate for this current year's report.

Again, the employees in the Finance Department have joined their many talents to produce this Comprehensive Annual Financial Report, and we thank them.

Special thanks to members of the Board of Finance and District Board for the guidance and support they provide year after year. The District's financial strength reflects their vigilance and stewardship.

The District is committed to remaining focused on the efficient fulfillment of its core mission. In pursuit of that objective, we remain fully committed to providing our customers with safe, pure drinking water, environmentally protective wastewater collection and treatment and other services that benefit the member towns.

Sincerely,



Scott W. Jellison  
Chief Executive Officer



John M. Zinzarella  
Deputy CEO of Business Services, Treasurer &  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**The Metropolitan District  
Connecticut**

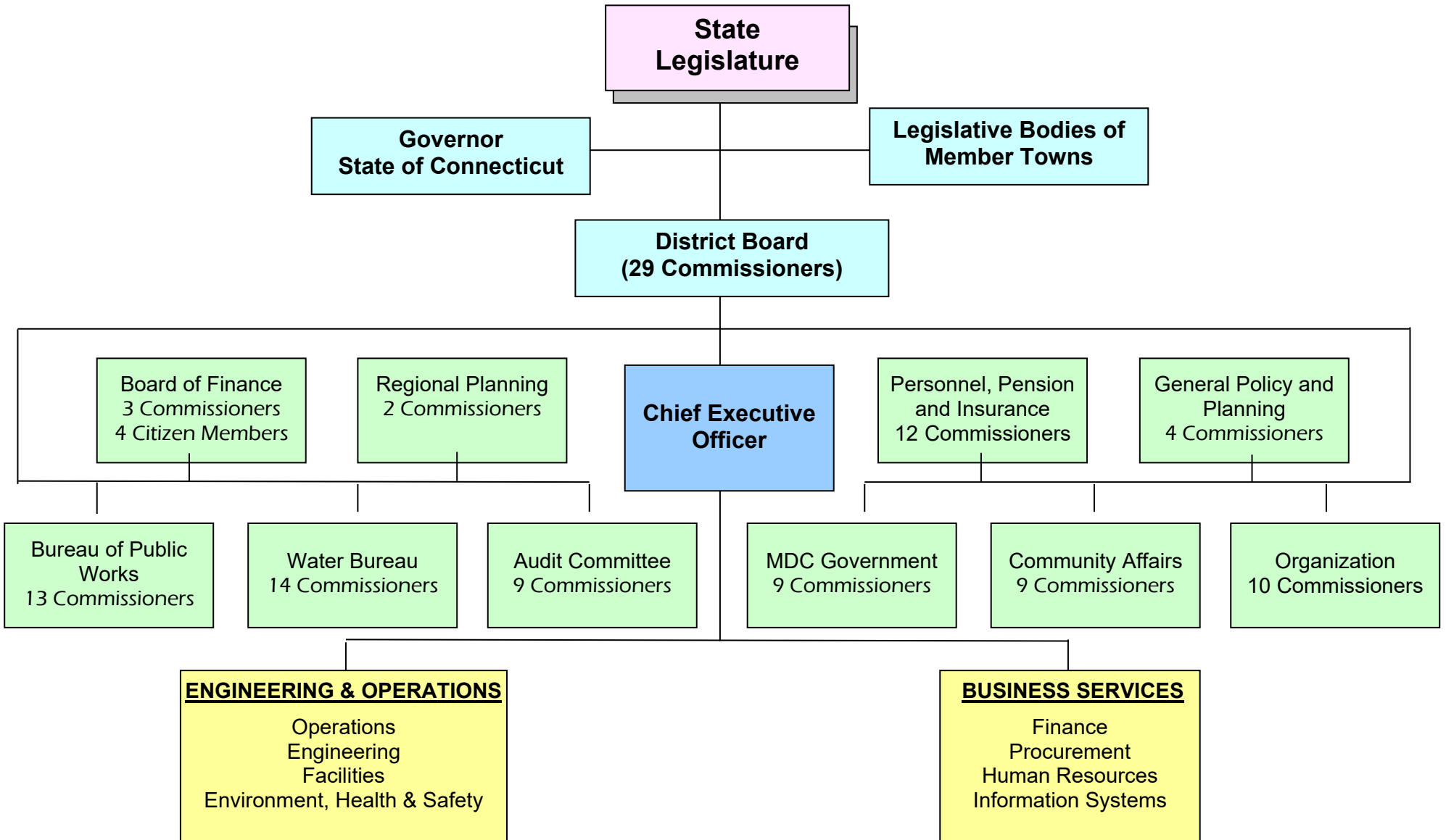
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

**The Metropolitan District  
Hartford County  
Organization Chart**



**THE METROPOLITAN DISTRICT  
THE DISTRICT BOARD**

<b>Name</b>	<b>Primary Occupation</b>	<b>Municipality Represented</b>	<b>Term Expires</b>	<b>Bureaus, Boards, Committees</b>
William A. DiBella, Chairman	Consultant	Hartford	12-31-2020	Ex-Officio Member of all Bureaus, Boards, Commissions and Standing Committees
Maureen Magnan, Vice Chairman	Government Relations	West Hartford	12-31-2020	Bureau of Public Works, Committee on MDC Government, Personnel, Pension & Insurance Committee, Community Affairs Committee, CRRRA Steering Committee
Andrew Adil	Investment Advisor	Wethersfield	04-28-2019	Bureau of Public Works, Water Bureau, Strategic Planning Committee
John Avedisian	Plant Metallurgist	Windsor	12-31-2022	Bureau of Public Works, Committee on MDC Government
Clifford Avery Buell	Wealth Advisor	Hartford	12-31-2021	Water Bureau, Committee on MDC Government, Committee on Organization, Community Affairs Committee
Luis Caban	Executive Director	Hartford	12-31-2016*	Bureau of Public Works, General Policy & Planning Committee, Board of Finance, Committee on Organization, Strategic Planning Committee
Daniel Camilliere	Retired	Wethersfield	12-31-2020	Water Bureau, Committee on Organization, Personnel, Pension and Insurance Committee, Community Affairs Committee, Commission on Regional Planning, Strategic Planning Committee
Mary Anne Charron	Attorney	West Hartford	04-28-2019	Water Bureau, Community Affairs, Audit Committee, Strategic Planning Committee
Donald Currey	Retired	East Hartford	04-28-2019	Bureau of Public Works, Committee on Organization, Personnel, Pension and Insurance Committee, Audit Committee
Timothy J. Fitzgerald	Attorney	Windsor	12-31-2019	Water Bureau, Committee on Organization, Personnel, Pension and Insurance Committee, Strategic Planning Committee
Matthew B. Galligan	Town Manager	South Windsor	12-31-2019	District Board Only
Peter Gardow	Engineer	Legislative Appointee	12-31-2020	Water Bureau, Committee on MDC Government, Audit Committee

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Denise Berard Hall	Senior Vice President / Treasury Sales Manager	West Hartford	12-31-2017	District Board Only
James Healy	Attorney	West Hartford	12-31-2018	District Board Only
Allen Hoffman	Consultant	Legislative Appointee	12-31-2018	Bureau of Public Works, Board of Finance, Audit Committee, Committee on MDC Government, Committee on Organization
Georgiana E. Holloway	Executive Assistant	Hartford	12-31-2020	Water Bureau, Community Affairs Committee, Committee on MDC Government
David Ionno	Veterans Speaker/ Advocate	Hartford	12-31-2020	Water Bureau, Committee on MDC Government, Community Affairs Committee
Sandra Johnson	Consultant	East Granby	12-31-2019	District Board Only
Kathleen J. Kowalyshyn	Attorney	Hartford	04-28-2019	Water Bureau, Committee on Organization, Audit Committee, Personnel, Pension & Insurance Committee
Byron Lester		Bloomfield	12-31-2018	Bureau of Public Works, Water Bureau, Personnel, Pension & Insurance Committee, Strategic Planning Committee
Alphonse Marotta	Retired	Hartford	12-31-2016*	Bureau of Public Works, Committee on MDC Government, Personnel, Pension and Insurance Committee, Commission on Regional Planning, Audit Committee, Strategic Planning Committee
Whit Osgood	Commercial Real Estate Broker	Glastonbury	12-31-2019	District Board Only
Domenic Pane	Self-Employed Owner/ President	Newington	12-31-2022	Bureau of Public Works, Water Bureau, Personnel, Pension and Insurance Committee
Bhupen Patel	Director of Construction Assurance	Newington	12-31-2020	Bureau of Public Works, Personnel, Pension and Insurance Committee

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Pasquale J. Salemi	Engineer	East Hartford	12-31-2022	Water Bureau, Personnel, Pension & Insurance Committee, CRRA Steering Committee, Energy Committee, General Policy & Planning Committee, Board of Finance
Michael Solomonides	Marketing Manager	Farmington	12-31-2020	District Board Only
Raymond Sweezy	Retired	Rocky Hill	12-31-2018	Bureau of Public Works, Water Bureau, General Policy & Planning, Committee on Organization, Personnel, Pension & Insurance Committee, Community Affairs, Commission on Regional Planning, Audit Committee
Alvin E. Taylor	Retired	Legislative Appointee	12-31-2021	Bureau of Public Works, Water Bureau, General Policy & Planning, Committee on MDC Government, Committee on Organization, Personnel, Pension & Insurance Committee, Community Affairs Committee, Audit Committee, CRRA Steering Committee, Strategic Planning Committee
Richard V. Vicino	Construction Management	Legislative Appointee	12-31-2021	Bureau of Public Works, Committee on Organization, Community Affairs Committee, Audit Committee, Strategic Planning Committee, Energy Committee
Michael Carrier	Attorney	Representative from New Britain	12-31-2010*	Ex-Officio Member of the Water Bureau of District Board

\*Commissioners appointed by Municipalities continue to serve until a successor is selected.

**THE METROPOLITAN DISTRICT**  
**HARTFORD COUNTY**  
**DISTRIBUTION OF DISTRICT BOARD MEMBERSHIP**  
**AS OF DECEMBER 31, 2017\***

	Total Commissioners	Appointed By		
		Municipality	Governor	Legislature
Hartford	7	6	1	
East Hartford	2	1	1	
West Hartford	4	3	1	
Windsor	2	1	1	
Bloomfield	1	1		
Wethersfield	2	1	1	
Newington	2	1	1	
Rocky Hill	1	1		
East Granby	1	1		
Farmington	1	1		
Glastonbury	1	1		
South Windsor	1	1		
Legislative Appointment	4			4
	<u>29</u>	<u>19</u>	<u>6</u>	<u>4</u>

\*Two Hartford Commissioners appointed by the Governor and Two East Hartford Commissioner appointed by the municipality were vacant as of December 31, 2017

**THE METROPOLITAN DISTRICT**

**HARTFORD COUNTY  
BOARD OF FINANCE**

	<b><u>Term Expires</u></b>
William A. DiBella (Ex-Officio)	12-31-2020
Luis Caban	12-31-2016
Allen Hoffman	12-31-2018
Pasquale J. Salemi	12-31-2022
Ram Aberasturia	12-31-2017
Ronald F. Angelo	12-31-2017
Martin B. Courneen	12-31-2017
Linda A. King-Corbin	12-31-2017

## **FINANCIAL SECTION**

# BlumShapiro

Accounting | Tax | Business Consulting

## Independent Auditors' Report

To the Board of Finance  
The Metropolitan District  
Hartford, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Metropolitan District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise The Metropolitan District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions 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 from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Metropolitan District as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 5 to the financial statements, during the fiscal year ended December 31, 2017, the Town adopted new accounting guidance, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. 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 4 through 13, the budgetary comparison information on pages 62 through 64 and the pension and OPEB schedules on pages 65 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Metropolitan District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018 on our consideration of The Metropolitan District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Metropolitan District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Metropolitan District's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
June 21, 2018

**The Metropolitan District  
Management's Discussion and Analysis  
December 31, 2017**

The management of the Metropolitan District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

**Financial Highlights**

- On a government-wide basis, the assets of the District exceeded its liabilities at the close of the current year by \$702,111,959 and \$270,136,744 for Governmental Activities and Business-Type Activities, respectively.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$86,323,549 a decrease of \$34,765,747 in comparison with the prior year, which is primarily due to the timing of reimbursements and significant permanent financing.
- On a government-wide basis, the District's total net position increased by \$36,413,660 and increased by \$46,075,112 for the Governmental Activities and Business-Type Activities, respectively.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes, charges for services, operating grants and contributions, capital grants and contributions (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges and capital grants and contributions (Business-Type Activities). The Governmental Activities of the District include general government, operations, plants and maintenance, and Interest on long-term debt, and in particular include its wastewater operations. The business-type activities of the District include Water and Hydroelectricity facilities as well as the Mid-Connecticut Project.

The government-wide financial statements can be found on pages 14-15 of this report.



## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual government funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, the Clean Water Project Fund and the Capital Project Fund, of which are considered to be major funds.

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been provided for the General Fund to demonstrate compliance with this budget. These can be found on pages 64-66 of this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

**Proprietary Funds** - The District maintains three proprietary, or enterprise type funds. Enterprise funds report the same functions as presented by the business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water and hydroelectricity operations and Mid-Connecticut Project.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water operations and the Mid-Connecticut Project, which are considered to be major funds of the District, and hydroelectricity operations, which is nonmajor.

The District adopts an annual appropriated budget for its Water Utility Fund. Budgetary comparison schedules have been provided for the Water Utility Fund to demonstrate compliance with this budget. These can be found on pages 75-77 of this report.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for assets held by the District in a trustee capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District maintains fiduciary funds for its Pension and OPEB Trusts.

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-61 of this report.

**Supplemental Combining Statements and Schedules**

Following the notes to this report also contain certain supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the District, assets exceeded liabilities by \$702,111,959 and \$270,136,744 for the Governmental Activities and Business-Type Activities, respectively, at the close of the most recent fiscal year.

By far the largest portion of the District's assets is its investment in capital assets (e.g., infrastructure, plants, machinery and equipment). It is presented in the statement of net position less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets, net of accumulated depreciation, 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.

Set out below is a comparison of the District's net position at the end of fiscal 2017, compared to the prior year, and the changes in net position for fiscal 2017, compared to the prior year.

**The Metropolitan District  
NET POSITION  
December 31, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 231,761,531	\$ 81,494,547	\$ 313,256,078	\$ 220,607,273	\$ 101,477,130	\$ 322,084,403
Capital assets, net of accumulated depreciation	1,675,401,598	575,779,741	2,251,181,339	1,477,341,669	555,389,868	2,032,731,537
Total assets	<u>1,907,163,129</u>	<u>657,274,288</u>	<u>2,564,437,417</u>	<u>1,697,948,942</u>	<u>656,866,998</u>	<u>2,354,815,940</u>
Deferred outflows of resources	3,380,689	3,556,168	6,936,857	6,790,019	8,118,574	14,908,593
Current liabilities	149,989,221	39,862,688	189,851,909	103,833,203	56,953,092	160,786,295
Long-term liabilities outstanding	1,055,462,512	346,748,688	1,402,211,200	935,111,668	383,838,358	1,318,950,026
Total liabilities	<u>1,205,451,733</u>	<u>386,611,376</u>	<u>1,592,063,109</u>	<u>1,038,944,871</u>	<u>440,791,450</u>	<u>1,479,736,321</u>
Deferred inflows of resources	2,980,126	4,082,336	7,062,462	95,791	132,490	228,281
Net Position:						
Net investment in capital assets	628,338,124	282,355,400	910,693,524	586,568,408	262,043,055	848,611,463
Unrestricted	<u>73,773,835</u>	<u>(12,218,656)</u>	<u>61,555,179</u>	<u>79,129,891</u>	<u>(37,981,423)</u>	<u>41,148,468</u>
Total Net Position	<u>\$ 702,111,959</u>	<u>\$ 270,136,744</u>	<u>\$ 972,248,703</u>	<u>\$ 665,698,299</u>	<u>\$ 224,061,632</u>	<u>\$ 889,759,931</u>

**The Metropolitan District  
CHANGES IN NET POSITION  
For the Years Ended December 31, 2017 and 2016**

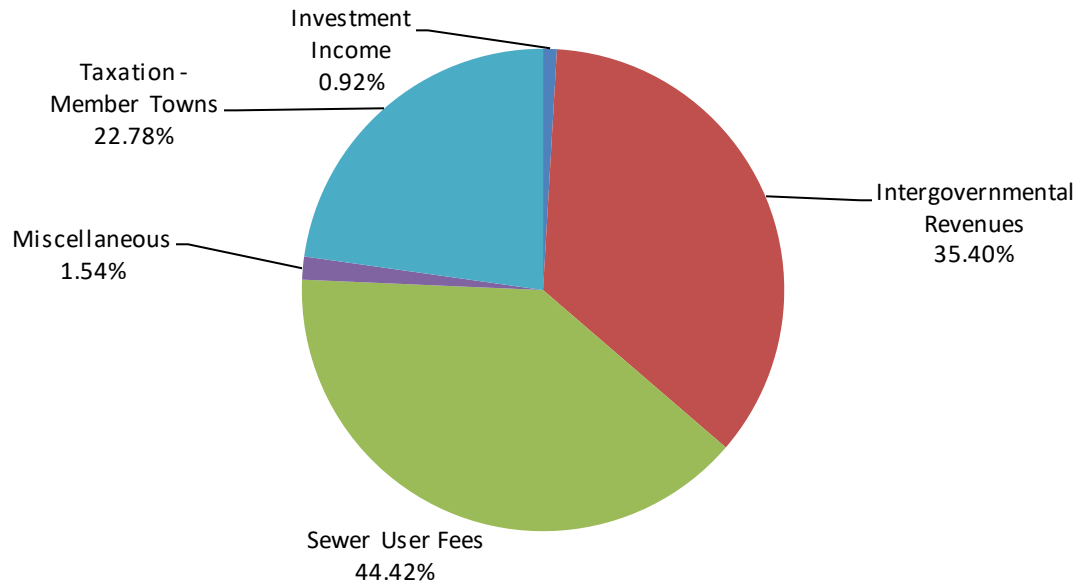
	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 72,013,708	\$ 82,836,604	\$ 154,850,312	\$ 70,629,736	\$ 75,606,571	\$ 146,236,307
Operating grants and contributions			-			-
Capital grants and contributions	64,775,491	20,596,616	85,372,107	51,301,142	12,285,315	63,586,457
General revenues:						
Sewer taxation - member municipalities	41,670,400		41,670,400	38,944,300		38,944,300
Unrestricted investment earnings	1,689,115	201,900	1,891,015	586,401	40,783	627,184
Miscellaneous income	2,813,918	1,906,736	4,720,654	1,864,076	2,130,684	3,994,760
Total revenues	<u>182,962,632</u>	<u>105,541,856</u>	<u>288,504,488</u>	<u>163,325,655</u>	<u>90,063,353</u>	<u>253,389,008</u>
Expenses:						
General government	12,782,032		12,782,032	13,683,241		13,683,241
Operations	15,004,934		15,004,934	25,441,446		25,441,446
Plants and maintenance	43,573,609		43,573,609	46,577,522		46,577,522
Water treatment and supply			-			-
Interest on long-term debt	26,066,412		26,066,412	24,217,631		24,217,631
Water		91,573,513	91,573,513		84,025,204	84,025,204
Hydroelectricity		702,704	702,704		827,100	827,100
Mid-Connecticut Project			-		1,793,246	1,793,246
Total expenses	<u>97,426,987</u>	<u>92,276,217</u>	<u>189,703,204</u>	<u>109,919,840</u>	<u>86,645,550</u>	<u>196,565,390</u>
Excess of Revenues over Expenditures before Transfers	85,535,645	13,265,639	98,801,284	53,405,815	3,417,803	56,823,618
Transfers	<u>(17,707,978)</u>		<u>(17,707,978)</u>	<u>28,760,431</u>	<u>(28,760,431)</u>	<u>-</u>
Special item	<u>(31,414,007)</u>	<u>32,809,473</u>	<u>1,395,466</u>			
Net Change in Net Position	36,413,660	46,075,112	82,488,772	82,166,246	(25,342,628)	56,823,618
Net Position at Beginning of Year	<u>665,698,299</u>	<u>224,061,632</u>	<u>889,759,931</u>	<u>583,532,053</u>	<u>249,404,260</u>	<u>832,936,313</u>
Net Position at End of Year	<u>\$ 702,111,959</u>	<u>\$ 270,136,744</u>	<u>\$ 972,248,703</u>	<u>\$ 665,698,299</u>	<u>\$ 224,061,632</u>	<u>\$ 889,759,931</u>

The District's net position increased by \$82,488,772 overall during the fiscal year with ending net position of Governmental Activities and Business-Type Activities of \$702,111,959 and \$270,136,744, respectively. This is discussed below.

## Governmental Activities

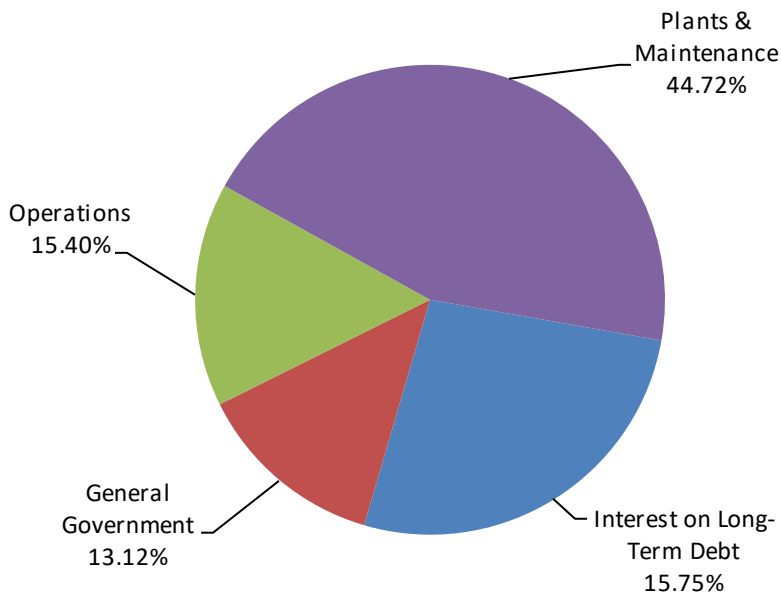
Net position of governmental activities increased by \$36,413,660 in 2017.

Major revenue factors Include:



- Approximately 23% of the governmental activity revenues were derived from taxes levied on our member towns. These taxes increased 7% from the prior year.
- The primary component of charges for services consists of sewer user fees of \$62,678,046, which increased by \$2,435,585 due to rate increases offset by decreased usage.
- The primary component of operating and capital grants and contributions consists of intergovernmental revenues of \$69,199,739, which increased by \$13,967,613 from the prior year. The intergovernmental revenue increase is due to increased Clean Water Fund grants from the State of Connecticut Clean Water Fund grants to fund the MDC's Clean Water Project.

Major expenditure factors Include:

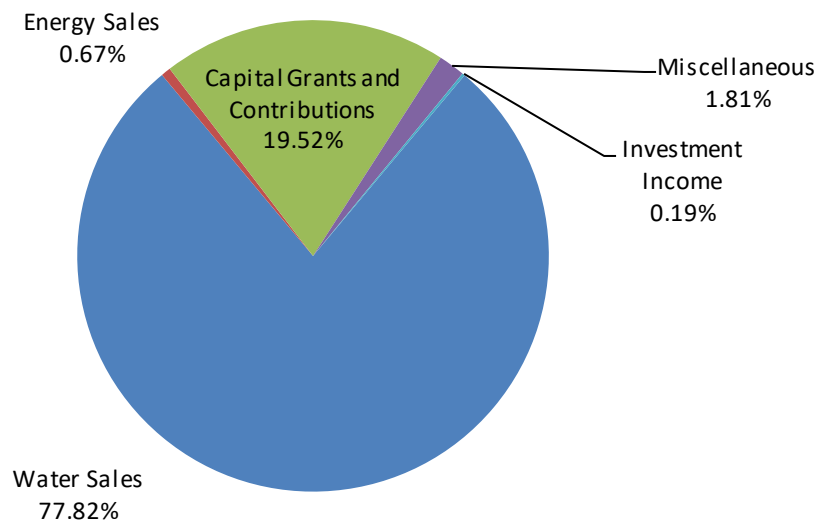


- During 2017, expenses decreased from the prior year by \$12,492,853 of which \$10.4 million is due to decreased operational expenses driven by a decrease in net pension liability, combined with lower payroll and water pollution control expenses, offset by an increase in net OPEB liability; the balance of expense decrease is due to decreased plants and maintenance expense offset by increased Interest on long term debt.

### Business-Type Activities

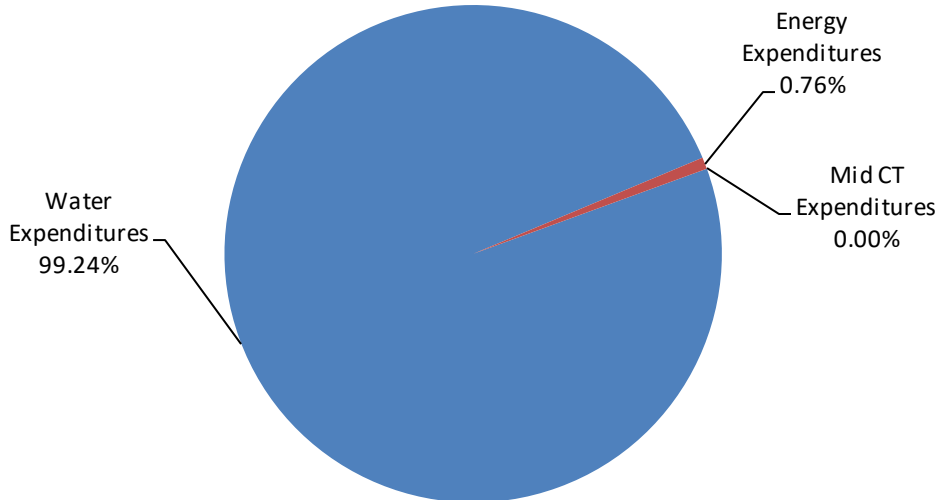
Net position of business-type activities increased by \$46,075,112 in 2017.

Major Revenue Factors Include:



- Water sales revenue increased by \$7,068,115 or 9% due to increases in water rates, offset by reduced consumption of 1.06%. Capital grants and contributions increased \$8,311,301 due to increased State of Connecticut Drinking Water Fund grants as well as capital projects that were transferred to the Water Utility Fund from the Capital Projects Fund. Energy sales increased by \$309,631 owing to recovery from precipitation/drought conditions in 2016 which had reduced stream flow and this resulted in a lower production of electricity

Major Expense Factors Include:



- Water expenses increased \$5,630,667 or 6%. Increase in water expenses is attributable to increase in net OPEB liability combined with higher depreciation expense due to write down of capital assets as result of new capital improvements.

**Financial Analysis of the Government’s Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the year.

As of the end of the current year, the District’s governmental funds reported a combined ending fund balance of \$86,323,549, a decrease of \$34,765,747 in comparison with the prior year. Of the fund balances, \$120,176,898 is restricted primarily for Clean Water Project future debt service or capital expenses, \$2,904,960 is nonspendable and reserved for inventory and prepaid assets, and \$76,741,076 is committed for other non-major sewer capital projects. The remaining capital projects show a unassigned balance deficit of \$113,499,385.

The General Fund is the chief operating fund of the District. At the end of the current year, the General Fund total fund balance was \$19,594,978, of which \$16,743,975 is unassigned and spendable and \$2,851,003 is nonspendable and reserved for inventory and prepaid assets. . This represents a fund balance increase in the General Fund of \$2,048,960 from the prior year.

The Debt Service fund balance decrease of \$2,103,501 is the timing of paying debt service on general obligation debt versus the funding.

The Clean Water Project Fund had a decrease in fund balance of \$6,926,997, which is a result of increased project spending and the timing of Clean Water Fund loan advances, which lag spending.

The Capital Project Fund had a decrease in fund balance of \$27,784,209, which is a result of capital expenditures for capital projects prior to receiving the bond funding.

### **Proprietary Funds**

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall proprietary funds net position totaled \$270,136,744 at the end of the year.

Unrestricted net position of the Water Utility Fund at the end of the year was to a deficit of \$5,256,882. Net investment in capital assets amounted to \$275,364,682. The Hydroelectricity Fund has unrestricted net position of \$1,313,837, or 16% of total net position. Net investment in capital assets amounted to \$6,990,718, or 84% of total net position of the fund.

In 2017, following the settlement of the dispute over the termination of the Mid-Connecticut contract, the District closed the Mid-Connecticut Project fund. The settlement payment received, net of litigation expenses, was added to the General Fund, and receivables in the pension fund and OPEB fund for amounts claimed were written off, decreasing the assets of those two funds.

### **General Fund Budgetary Highlights**

During the 2017 budget year, total revenues and other financing sources were below budget by \$5,173,654 or 6.7%, and expenditures were less than budget by \$9,024,238 or 11.8%.

Some of the major highlights are as follows:

- The District's budget included a contingent item of \$7,973,600, levied in case a member municipality did not make its full ad valorem payments. All member municipalities paid their ad aalorem payments on time and in full, and this revenue item was rescinded, resulting in revenues being unfavorable to budet by this amount.
- Expenditures were favorable to budget due to the contingency expense (\$7,973,600) associated with the contingent ad valorem payment not having to be levied combined with favorable payroll expenditures associated with vacancy levels and favorable operating expenses at the operating facilities versus budgeted amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2017 amounted to \$1,675,401,598 and \$575,779,741, respectively reflecting the District's ongoing investment in capital activities. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and sewer and water pipes.

Major capital asset additions in 2017 consisted of infrastructure improvements, contributions of capital assets by developers and continued construction in progress, including the continuation of the Clean Water Project.

### The Metropolitan District CAPITAL ASSETS (net of depreciation) December 31, 2017 and 2016

	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 10,206,473	\$ 10,181,885	\$ 20,388,358	\$ 10,206,473	\$ 10,181,885	\$ 20,388,358
Buildings	293,688,406	76,722,968	370,411,374	267,429,425	74,354,020	341,783,445
Machinery and equipment	23,988,646	11,219,160	35,207,806	23,951,495	10,771,797	34,723,292
Infrastructure	479,963,523	230,761,653	710,725,176	398,600,786	215,831,715	614,432,501
Construction in progress	867,554,550	246,894,075	1,114,448,625	777,153,490	244,250,451	1,021,403,941
Total	<u>\$ 1,675,401,598</u>	<u>\$ 575,779,741</u>	<u>\$ 2,251,181,339</u>	<u>\$ 1,477,341,669</u>	<u>\$ 555,389,868</u>	<u>\$ 2,032,731,537</u>

Additional information on the District's capital assets can be found in Note 3D on pages 36-39 of this report.

### Long-Term Debt

At the end of the current year, the District had total open market bonded debt outstanding of \$754,222,924 and \$509,793,646 of Clean Water and Drinking Water State Revolving fund loans outstanding. All of the Governmental Activities debt, \$1,055,462,512, with the exception of \$213,050,000 of outstanding revenue bonds is backed by the full faith and credit of the District's member towns. The revenue bond indenture has a pledge of the special sewer service surcharge revenues (a.k.a. Clean Water Project Charge), therefore these bonds do not carry the full faith and credit pledge of the District.



**The Metropolitan District  
OUTSTANDING DEBT  
December 31, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General obligation/ Revenue bonds	\$ 524,865,146	\$ 229,357,778	\$ 754,222,924	\$ 543,868,235	\$ 242,006,621	\$ 785,874,856
Clean/drinking water loans	456,402,106	53,391,540	509,793,646	348,839,161	52,742,532	401,581,693
Compensated absences	2,822,659	3,030,187	5,852,846	2,009,223	1,804,314	3,813,537
Claims and judgements		6,231,742	6,231,742			
Net pension liability	27,512,421	9,704,215	37,216,636	13,040,848	38,465,251	51,506,099
OPEB obligation	43,860,180	45,033,226	88,893,406	27,354,201	48,819,640	76,173,841
<b>Total</b>	<b>\$ 1,055,462,512</b>	<b>\$ 346,748,688</b>	<b>\$ 1,402,211,200</b>	<b>\$ 935,111,668</b>	<b>\$ 383,838,358</b>	<b>\$ 1,318,950,026</b>

The District's general obligation bond rating dropped from AA+ to AA rating from Standard & Poor's and from Aa1 to an Aa3 rating from Moody's.

The District's Charter limits the amount of general obligation debt it may issue up to 5% of the combined Grand List of its member towns. The current debt limitation for the District is \$1,260,243,294, which is significantly more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 3G on pages 41-44 of this report.

**Economic Factors**

- The District strives to minimize the increases in taxes that it levies on its member municipalities by implementing structural efficiencies, and identifying and pursuing cost reduction activities to minimize expenditures.
- Inflationary trends in the region are consistent with budgeted General Fund expenditure increases.
- Water consumption continues to decline due to conservation activities by both residential and commercial customers combined with price sensitivity due to the increasing cost of compliance associated with the Clean Water Project.

All of these factors were considered in preparing the District's 2017 year budget.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, The Metropolitan District.

# **BASIC FINANCIAL STATEMENTS**

**THE METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 164,825,413	\$ 56,811,003	\$ 221,636,416
Receivables, net of allowance for uncollectibles	64,031,158	20,930,599	84,961,757
Inventory	2,536,006	2,971,476	5,507,482
Prepaid items	368,954	736,469	1,105,423
Capital assets, nondepreciable	877,761,023	257,075,960	1,134,836,983
Capital assets, net of accumulated depreciation	797,640,575	318,703,781	1,116,344,356
Other assets	45,000	45,000	45,000
Total assets	<u>1,907,163,129</u>	<u>657,274,288</u>	<u>2,564,437,417</u>
<b>Deferred Outflows of Resources:</b>			
Change in pension assumptions	1,628,127	2,230,296	3,858,423
Difference between expected and actual pension plan experience	43,707	59,873	103,580
Deferred charge on refunding	1,708,855	1,265,999	2,974,854
Total deferred outflows of resources	<u>3,380,689</u>	<u>3,556,168</u>	<u>6,936,857</u>
<b>Liabilities:</b>			
Accounts payable and accrued items	53,866,331	10,224,904	64,091,235
Bond anticipation notes payable	93,225,000	26,775,000	120,000,000
Premium on bond anticipation notes payable	583,787	375,213	959,000
Customer advances for construction	2,314,103	2,487,571	4,801,674
Claims incurred but not reported	-	-	-
<b>Noncurrent liabilities:</b>			
Due within one year	114,615,548	25,075,918	139,691,466
Due in more than one year	940,846,964	321,672,770	1,262,519,734
Total liabilities	<u>1,205,451,733</u>	<u>386,611,376</u>	<u>1,592,063,109</u>
<b>Deferred Inflows of Resources:</b>			
Difference between projected and actual earnings on pension plan investments	2,701,005	3,699,982	6,400,987
Difference between expected and actual pension plan experience	279,121	382,354	661,475
Total deferred Inflows of resources	<u>2,980,126</u>	<u>4,082,336</u>	<u>7,062,462</u>
<b>Net Position:</b>			
Net investment in capital assets	628,338,124	282,355,400	910,693,524
Unrestricted	73,773,835	(12,218,656)	61,555,179
Total Net Position	<u>\$ 702,111,959</u>	<u>\$ 270,136,744</u>	<u>\$ 972,248,703</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 12,782,032	\$	\$	8,778	\$ (12,773,254)	\$	\$ (12,773,254)
Operations	15,004,934	13,185,721		85,462	(1,733,751)		(1,733,751)
Plants and maintenance	43,573,609	58,827,987		64,681,251	79,935,629		79,935,629
Interest on long-term debt	26,066,412				(26,066,412)		(26,066,412)
Total governmental activities	<u>97,426,987</u>	<u>72,013,708</u>	<u>-</u>	<u>64,775,491</u>	<u>39,362,212</u>	<u>-</u>	<u>39,362,212</u>
Business-type activities:							
Water	91,573,513	82,129,141		20,596,616		11,152,244	11,152,244
Hydroelectricity	702,704	707,463				4,759	4,759
Total business-type activities	<u>92,276,217</u>	<u>82,836,604</u>	<u>-</u>	<u>20,596,616</u>	<u>-</u>	<u>11,157,003</u>	<u>11,157,003</u>
Total	<u>\$ 189,703,204</u>	<u>\$ 154,850,312</u>	<u>\$ -</u>	<u>\$ 85,372,107</u>	<u>39,362,212</u>	<u>11,157,003</u>	<u>50,519,215</u>
General revenues:							
Sewer taxation - member municipalities					41,670,400		41,670,400
Miscellaneous					2,813,918	1,906,736	4,720,654
Unrestricted investment earnings					1,689,115	201,900	1,891,015
Transfers					(17,707,978)		(17,707,978)
Special item					(31,414,007)	32,809,473	1,395,466
Total general revenues, transfers and special item					<u>(2,948,552)</u>	<u>34,918,109</u>	<u>31,969,557</u>
Change in Net Position					36,413,660	46,075,112	82,488,772
Net Position at Beginning of Year					<u>665,698,299</u>	<u>224,061,632</u>	<u>889,759,931</u>
Net Position at End of Year					<u>\$ 702,111,959</u>	<u>\$ 270,136,744</u>	<u>\$ 972,248,703</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Clean Water Project</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,069,654	\$ 621,283	\$ 115,626,946	\$ 33,507,530	\$ 164,825,413
Receivables, net of allowance for uncollectibles	6,663,875		43,424,532	13,942,751	64,031,158
Inventory	2,536,006				2,536,006
Prepaid items	314,997		53,957		368,954
Total Assets	<u>\$ 24,584,532</u>	<u>\$ 621,283</u>	<u>\$ 159,105,435</u>	<u>\$ 47,450,281</u>	<u>\$ 231,761,531</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued items	\$ 2,091,664	\$	\$ 39,495,863	\$ 5,781,517	\$ 47,369,044
Bond anticipation notes payable				93,225,000	93,225,000
Premium on bond anticipation notes payable	583,787				583,787
Customer advances for construction	2,314,103				2,314,103
Total liabilities	<u>4,989,554</u>	<u>-</u>	<u>39,495,863</u>	<u>99,006,517</u>	<u>143,491,934</u>
Deferred inflows of resources:					
Unavailable revenue - special assessments				1,946,048	1,946,048
Fund balances:					
Nonspendable	2,851,003		53,957		2,904,960
Restricted		621,283	119,555,615		120,176,898
Committed				76,741,076	76,741,076
Unassigned	16,743,975			(130,243,360)	(113,499,385)
Total fund balances	<u>19,594,978</u>	<u>621,283</u>	<u>119,609,572</u>	<u>(53,502,284)</u>	<u>86,323,549</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 24,584,532</u>	<u>\$ 621,283</u>	<u>\$ 159,105,435</u>	<u>\$ 47,450,281</u>	<u>\$ 231,761,531</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**DECEMBER 31, 2017**

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Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (page 14) are  
different because of the following:

Fund balances - total governmental funds (page 16)	\$ 86,323,549
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Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 2,012,425,317	
Less accumulated depreciation	<u>(337,023,719)</u>	
Net capital assets		1,675,401,598

Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are reported as unavailable revenue in the funds:

Sewer assessment receivables	1,946,048
Deferred charge on refunding	1,708,855
Deferred outflows related to changes in pension assumptions	1,628,127
Deferred outflows related to difference between expected and actual pension plan experience	43,707

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Bonds payable	(480,651,331)
Premiums	(44,213,815)
Notes payable	(456,402,106)
Interest payable on long-term debt	(6,497,287)
Compensated absences	(2,822,659)
Net pension liability	(27,512,421)
Deferred inflows related to difference between projected and actual earnings on pension plan investments	(2,701,005)
Deferred inflows related to difference between expected and actual pension plan experience	(279,121)
OPEB obligation	<u>(43,860,180)</u>

Net Position of Governmental Activities (page 14)	<u>\$ 702,111,959</u>
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The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Clean Water Project</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxation - member towns	\$ 41,670,400	\$	\$	\$	\$ 41,670,400
Assessments				1,519,217	1,519,217
Sewer user fees	7,639,768		55,038,278		62,678,046
Intergovernmental revenues	4,693,503		62,115,343	2,390,893	69,199,739
Investment income	532,877		1,156,238		1,689,115
Other local revenues	5,683,498			380,418	6,063,916
Total revenues	<u>60,220,046</u>	<u>-</u>	<u>118,309,859</u>	<u>4,290,528</u>	<u>182,820,433</u>
Expenditures:					
Current:					
General government	3,436,145				3,436,145
Operations	2,313,810				2,313,810
Plants and maintenance	20,148,645				20,148,645
Employee benefits and other	10,881,861				10,881,861
Debt service:					
Principal retirement		36,642,960			36,642,960
Interest	277,627	27,904,641			28,182,268
Capital outlay			202,007,015	41,627,812	243,634,827
Total expenditures	<u>37,058,088</u>	<u>64,547,601</u>	<u>202,007,015</u>	<u>41,627,812</u>	<u>345,240,516</u>
Excess (Deficiency) of Revenues over Expenditures	<u>23,161,958</u>	<u>(64,547,601)</u>	<u>(83,697,156)</u>	<u>(37,337,284)</u>	<u>(162,420,083)</u>
Other Financing Sources (Uses):					
Clean Water Fund loans issued			118,090,762	9,563,574	127,654,336
Transfers in		62,444,100			62,444,100
Transfers out	(21,112,998)		(41,320,603)	(10,499)	(62,444,100)
Total other financing sources (uses)	<u>(21,112,998)</u>	<u>62,444,100</u>	<u>76,770,159</u>	<u>9,553,075</u>	<u>127,654,336</u>
Net Change in Fund Balances	2,048,960	(2,103,501)	(6,926,997)	(27,784,209)	(34,765,747)
Fund Balances at Beginning of Year	<u>17,546,018</u>	<u>2,724,784</u>	<u>126,536,569</u>	<u>(25,718,075)</u>	<u>121,089,296</u>
Fund Balances at End of Year	<u>\$ 19,594,978</u>	<u>\$ 621,283</u>	<u>\$ 119,609,572</u>	<u>\$ (53,502,284)</u>	<u>\$ 86,323,549</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (page 15) are different because of the following:

Net change in fund balances - total governmental funds (page 18)	\$ (34,765,747)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlays, net	224,712,443
Depreciation expense	(26,100,893)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

	(551,621)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Sewer assessment revenue	(125,629)
Change in deferred outflow related to pension investment experience	(2,603,365)
Change in deferred outflow related to changes in pension assumptions	(569,181)
Change in deferred inflows related to difference between expected and actual pension plan experience	(11,504)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Proceeds from Clean Water Fund loan obligations	(127,654,336)
Bond payments	16,551,568
Amortization of bond premium and deferred charge on refunding	2,226,241
Clean Water Fund loan payments	20,091,391
Change in accrued interest	(110,384)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	(813,436)
Change in net pension liability	(14,471,573)
Change in deferred inflows related to difference between expected and actual pension plan experience	(183,330)
Change in deferred outflow related to pension investment experience	(2,701,005)
Change in OPEB obligation	(16,505,979)

Change in Net Position of Governmental Activities (page 15)	<u>\$ 36,413,660</u>
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The accompanying notes are an integral part of the financial statements





**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Business- Type Activities - Internal Service Fund</b>
	<b>Major</b>		<b>Nonmajor</b>	<b>Total</b>	
	<b>Water Utility</b>	<b>Mid-Connecticut Project</b>	<b>Hydroelectric Development Project</b>		
Operating Revenues:					
Water sales	\$ 78,137,873	\$	\$	\$ 78,137,873	\$
Energy sales			707,463	707,463	
Reimbursement				-	13,302,479
Miscellaneous	3,991,268			3,991,268	
Total operating revenues	<u>82,129,141</u>	<u>-</u>	<u>707,463</u>	<u>82,836,604</u>	<u>13,302,479</u>
Operating Expenses:					
General government	9,009,693			9,009,693	
Operations	12,551,906			12,551,906	14,623,699
Plants and maintenance	16,372,435			16,372,435	
Employee benefits and other	25,445,094		69,654	25,514,748	
Source of supply			480,749	480,749	
Depreciation expense	<u>17,755,572</u>		<u>152,301</u>	<u>17,907,873</u>	
Total operating expenses	<u>81,134,700</u>	<u>-</u>	<u>702,704</u>	<u>81,837,404</u>	<u>14,623,699</u>
Operating Income (Loss)	<u>994,441</u>	<u>-</u>	<u>4,759</u>	<u>999,200</u>	<u>(1,321,220)</u>
Nonoperating Revenues (Expenses):					
Investment income	201,900			201,900	
Miscellaneous nonoperating revenue	1,906,736			1,906,736	
Interest and fiscal charges	<u>(9,117,593)</u>			<u>(9,117,593)</u>	
Net nonoperating revenues (expenses)	<u>(7,008,957)</u>	<u>-</u>	<u>-</u>	<u>(7,008,957)</u>	<u>-</u>
Income (Loss) Before Grants and Contributions, and Special Items	<u>(6,014,516)</u>	<u>-</u>	<u>4,759</u>	<u>(6,009,757)</u>	<u>(1,321,220)</u>
Grants and Contributions:					
Capital grants	226,615			226,615	
Capital contributions	<u>20,370,001</u>			<u>20,370,001</u>	
Total grants and contributions	<u>20,596,616</u>	<u>-</u>	<u>-</u>	<u>20,596,616</u>	<u>-</u>
Special Items:					
Settlement of pension obligation		20,428,295		20,428,295	
Settlement of OPEB obligation		10,985,712		10,985,712	
Settlement of pension contribution		9,271,439		9,271,439	
Settlement of OPEB contribution		26,346,000		26,346,000	
Settlement of liability		2,769,942		2,769,942	
Settlement of receivable		<u>(36,991,915)</u>		<u>(36,991,915)</u>	
Total special items	<u>-</u>	<u>32,809,473</u>	<u>-</u>	<u>32,809,473</u>	<u>-</u>
Change in Net Position	14,582,100	32,809,473	4,759	47,396,332	(1,321,220)
Net Position at Beginning of Year	<u>255,525,700</u>	<u>(32,809,473)</u>	<u>8,299,796</u>		<u>(6,954,391)</u>
Net Position at End of Year	<u>\$ 270,107,800</u>	<u>\$ -</u>	<u>\$ 8,304,555</u>		<u>\$ (8,275,611)</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				<u>(1,321,220)</u>	
Change in Net Position of Business-Type Activities				<u>\$ 46,075,112</u>	

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities - Enterprise Funds				Business-Type Activities - Internal Service Fund
	Major		Nonmajor		
	Water Utility	Mid-Connecticut Project	Hydroelectric Development Project	Total	
Cash Flows from Operating Activities:					
Receipts from customers, users and others	\$ 81,477,931	\$	\$ 634,496	\$ 82,112,427	\$ 13,304,355
Payments for interfund services provided	436,924			436,924	
Payments to suppliers	(21,796,737)		(554,086)	(22,350,823)	(13,342,558)
Payments to employees	(36,746,913)		69,654	(36,677,259)	
Net cash provided by (used in) operating activities	23,371,205	-	150,064	23,521,269	(38,203)
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets/utility plant	(18,597,434)			(18,597,434)	
Proceeds from drinking water loans	3,670,542			3,670,542	
Proceeds from capital grant	226,615			226,615	
Proceeds from capital contribution	2,662,023			2,662,023	
Principal payments on bonds	(11,378,428)			(11,378,428)	
Proceeds from bond anticipation notes	26,775,000			26,775,000	
Principal payments on drinking water loans	(3,021,534)			(3,021,534)	
Interest payments on bonds and notes	(8,981,252)			(8,981,252)	
Proceeds from settlement		8,250,000		8,250,000	
Payment to General Fund		(8,250,000)		(8,250,000)	
Net cash provided by (used in) capital and related financing activities	(8,644,468)	-	-	(8,644,468)	-
Cash Flows from Investing Activities:					
Interest on investments	201,900		-	201,900	
Net Increase (Decrease) in Cash and Cash Equivalents	14,928,637	-	150,064	15,078,701	(38,203)
Cash and Cash Equivalents at Beginning of Year	40,572,415	-	1,159,887	41,732,302	38,203
Cash and Cash Equivalents at End of Year	\$ 55,501,052	\$ -	\$ 1,309,951	\$ 56,811,003	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 994,441	\$	\$ 4,759	\$ 999,200	\$ (1,321,220)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	17,755,572		152,301	17,907,873	
Amortization of bond premium	(1,270,415)			(1,270,415)	
Miscellaneous nonoperating revenue	1,906,736			1,906,736	
(Gain) loss on disposal of capital assets	(1,992,334)			(1,992,334)	
Change in assets, deferred outflows of resources and liabilities:					
(Increase) decrease in accounts receivable	(239,516)		(72,967)	(312,483)	1,876
(Increase) decrease in due from other funds	436,924			436,924	
(Increase) decrease in inventory	328,546		(354)	328,192	
(Increase) decrease in prepaid items	12,550		(778)	11,772	
(Increase) decrease in deferred outflows of resources related to pensions	4,405,045		21,020	4,426,065	
Increase (decrease) in accounts payable and accrued expenses	(2,548,295)		(2,551)	(2,550,846)	556,270
Increase (decrease) in customer advances for construction	(411,694)			(411,694)	
Increase (decrease) in compensated absences	1,225,876			1,225,876	
Increase (decrease) in OPEB obligation	7,136,587		62,711	7,199,298	
Increase (decrease) in net pension liability	(8,296,324)		(36,417)	(8,332,741)	
Increase (decrease) in claims incurred but not reported				-	724,871
Increase (decrease) in deferred inflows of resources related to pensions	3,927,506		22,340	3,949,846	
Total adjustments	22,376,764	-	145,305	22,522,069	1,283,017
Net Cash Provided by (Used in) Operating Activities	\$ 23,371,205	\$ -	\$ 150,064	\$ 23,521,269	\$ (38,203)
Noncash Investing, Capital and Financing Activities:					
Special item settlement	\$	\$ 24,559,473	\$	\$ 24,559,473	\$
Capital assets contributed by Capital Projects Fund	17,707,978			17,707,978	
Total	\$ 17,707,978	\$ 24,559,473	\$ -	\$ 42,267,451	\$ -

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2017**

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	<b>Pension and Other Employee Benefit Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 806,750
Accounts receivable	233,329
Investments, at fair value:	
Private equity	245,292
Guaranteed investment contracts	21,416,465
Land	12,500,000
Commingled collective funds	164,310,983
Real estate	<u>21,070,840</u>
Total assets	220,583,659
<b>LIABILITIES</b>	
Retiree expense reimbursement payable	<u>1,188,559</u>
<b>NET POSITION</b>	
Restricted for Pension and OPEB Benefits	<u>\$ 219,395,100</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Pension and Other Employee Benefit Trust Funds</b>
Additions:	
Contributions:	
Employer	\$ 11,300,000
Plan members	3,148,128
Reimbursements	451,135
Total contributions	<u>14,899,263</u>
Investment earnings:	
Net change in fair value of investments	24,936,432
Interest and dividends	12,780,343
Total investment earnings	<u>37,716,775</u>
Less investment expenses:	
Investment management fees	1,036,893
Net investment earnings	<u>36,679,882</u>
Total additions	<u>51,579,145</u>
Deductions:	
Benefits	23,894,741
Administrative expense	119,313
Total deductions	<u>24,014,054</u>
Change in Net Position	27,565,091
Special Item - Mid-Connecticut Settlement	(35,617,439)
Net Position at Beginning of Year	<u>227,447,448</u>
Net Position at End of Year	<u>\$ 219,395,100</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The Metropolitan District (the District) was empowered in 1929 by the General Assembly of Connecticut. The District provides the following services as authorized by its Charter: design, construction and maintenance of sewage, hydroelectric and water systems and plants, stream and watercourse controls, the sale and delivery of water and hydroelectric power, and resources recovery.

The financial statements include all of the funds of the District that meet the criteria for inclusion as set forth in Statement of Governmental Accounting Standards No. 14 issued by the Governmental Accounting Standards Board (GASB).

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable and other organizations, which by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

**B. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with the requirements of statements issued by the Governmental Accounting Standards Board. The more significant of the District's accounting policies are described below.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District's primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or benefit directly from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sewer taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues, including sewer assessments, to be available if they are collected within 60 days after the end of the current fiscal period.

Taxes on member municipalities, sewer assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Clean Water Project Fund* accounts for financial resources to be used for the Clean Water Project. The appropriations for the cost of the Clean Water Project were approved by referendum votes which were held on November 7, 2006 and November 6, 2012. The first phase of the Clean Water Project features projects to control inflow and infiltration, sewer separation projects, projects to increase interceptors, and upgrades to the two treatment plants. The second phase of the Clean Water Project features wet weather capacity improvements at the District's treatment plants and construction of a large storage and conveyance tunnel in the south of the District to hold waste water for ultimate release and treatment at the Hartford water pollution control facility.

The *Capital Project Fund* is used for projects of greater than one year's duration. Most of the capital outlays are financed by the issuance of general obligation bonds and current tax revenues.

## THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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The District reports the following major proprietary funds:

The *Water Utility Fund* and the *Mid-Connecticut Project Fund* are the District's funds used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Mid-Connecticut Project Fund was closed during the current year.

Additionally, the District reports the following fund types:

The *Internal Service Fund* is used to account for the District's self-insurance program for property casualty, workers' compensation and health insurance coverage of employees as well as natural disaster and liability claims for the District.

The *Pension and Other Employee Benefit Trust Funds* are used to account for the activities of the District's defined benefit plan, which accumulates resources for pension benefit payments to qualified employees, and to account for the activities of the District's postemployment welfare benefits (including retiree medical, dental and life insurance benefits) to the current and former eligible employees of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and 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 government's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

### **C. Cash Equivalents**

For purposes of reporting cash flows, all savings, checking, money market accounts and certificates of deposit with an original maturity of less than 90 days from the date of acquisition are considered to be cash equivalents.

### **D. Investments**

Investments are stated at fair value.



**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**E. Inventories and Prepaid Items**

All inventories are valued at the lower of cost (average cost) or net realizable value. Inventory in the governmental and enterprise funds is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are presented net of an allowance for uncollectibles.

**G. Compensated Absences**

All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**H. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets such as water and sewer mains, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recognized at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their lives are expensed currently.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-75
Machinery and equipment	6-20
Infrastructure	50-150

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources expenditure until then. The District reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position and statement of net position - proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs or contributions made to the plan after the measurement date, and differences between projected and actual earnings on pension plan investments. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources until that time. The District reports deferred inflows of resources related to pensions in the government-wide statement of net position and statement of net position - proprietary funds. A deferred inflow of resources related to pension results from differences between expected and actual experience and differences between projected and actual earnings on pension plan investments. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). The District reports unavailable revenue for governmental funds which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**J. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums, discounts and losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized losses on bond refundings. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**K. Net Pension Liability**

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**L. Net OPEB Obligations**

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the District's contributions to the plan. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities, accordingly, in the government-wide financial statements.

**M. Fund Equity**

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

**Nonspendable Fund Balance**

This balance represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

**Restricted Fund Balance**

This balance represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

**Committed Fund Balance**

This balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (District Board). Amounts remain committed until action is taken by the District Board (resolution) to remove or revise the limitations.

**Assigned Fund Balance**

This balance includes amounts constrained for the intent to be used for a specific purpose by the District Board that has been delegated authority to assign amounts by the Charter.

**Unassigned Fund Balance**

This balance represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets**

This category represents all capital assets, net of accumulated depreciation and related debt.

**Restricted Net Position**

This category represents amounts restricted to use by outside parties. The District has no assets under restrictions as of December 31, 2017.

**Unrestricted Net Position**

This category represents the net position of the District not restricted for use.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**N. Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

During the last quarter of the year, the ensuing year's proposed operating budget, including proposed expenditures/expenses and the means of financing them, is compiled by the Finance Department based upon estimates submitted by the various departments.

The proposed operating budget is then published in line item format in one or more local newspapers servicing the District for a period of three consecutive days, excluding holidays and Sundays. Prior to January 1 of the new year, the published budget is submitted to the District Board for acceptance and adoption.

Annual operating budgets are legally adopted for the General Fund and the Water Utility Enterprise Fund. A fund budget was adopted for the Hydroelectric Development Project. Formal budgetary integration is employed as a management control device for these funds. The unencumbered balance of appropriations in the General Fund lapses at year end. Encumbered appropriations are carried forward. Except for encumbrance accounting, the General Fund budget is prepared on a modified accrual basis. Budgetary and actual data in this report have been presented on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, the reconciliation of resultant basis, timing and perspective differences appear at the bottom of the actual vs. budget schedule. The legal level of budgetary control is at the functional level. Any revisions that alter total appropriations at the level of control must have the prior approval of the Board of Finance and the District Board. The amendments were made in the legally permissible manner described above. During the fiscal year ended December 31, 2017 there were no supplemental budgetary appropriations.

Budgetary integration is employed on a continuing (project length) basis for capital projects funds, in which appropriations do not lapse at year end, but rather at the completion of the construction relating to a specific improvement project. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond and note indenture provisions.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as either restricted, committed or assigned fund balance depending on the level of restriction.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**B. Deficit Fund Equity**

Certain individual funds had fund balance deficits at December 31, 2017 as follows:

Capital Projects	\$ 53,502,284
Internal Service	8,275,611
OPEB Trust Fund	525,552

The Capital Projects Funds' deficits have arisen because bonds and loans authorized for these projects have not yet been issued. When the bonds and loans are issued, or the General Fund appropriates and transfers amounts to these funds, the deficits will be eliminated.

**3. DETAILED NOTES ON ALL FUNDS**

**A. Cash, Cash Equivalents and Investments**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank" as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Deposits**

**Deposit Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposit will not be returned. The District does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its principal place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$13,542,797 of the District's bank balance of \$13,792,797 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 12,163,517
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>1,379,280</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 13,542,797</u>

**Cash Equivalents**

At December 31, 2017, the District's cash equivalents amounted to \$209,466,585. The following table provides a summary of the District's cash equivalents as rated by nationally recognized statistical rating organizations. The pool has maturities of less than one year.

	<u>Standard &amp; Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The District has the following recurring fair value measurements as of December 31, 2017:

	December 31, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Private equity	\$ 245,292	\$	\$	\$ 245,292
Guaranteed investment contracts	21,416,465		3,277,209	18,139,256
Land	12,500,000			12,500,000
Total investments by fair value level	34,161,757	\$ -	\$ 3,277,209	\$ 30,884,548
Investments measured at net asset value (NAV):				
Commingled collective trusts	164,310,983			
Timberland Investments	7,752,950			
Cornerstone Real Estate	3,406,520			
Madison Realty Capital Debt Fund	4,396,381			
U.S. Real Estate Investment Fund, LLC	5,514,989			
Total investments measured at NAV	185,381,823			
Total Investments Measured at Fair Value	\$ 219,543,580			

The above investments have no rating or maturity.

Mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Guaranteed investment contracts classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Land and private equity classified in Level 3 are valued using discounted cash flow techniques.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled collective trusts	\$ 164,310,983	\$ -	Up to Monthly	Up to 10 Days
Timberland Investments	7,752,950	2,222,739	Hold to Maturity	Hold to maturity (15-18 Years)
Cornerstone Real Estate	3,406,520	1,806,148	Hold to Maturity	Hold to maturity (7-9 Years)
Madison Realty Capital Debt Fund	4,396,381	644,620	Hold to Maturity	Hold to maturity (6-9 years)
U.S. Real Estate Investment Fund, LLC	5,514,989	-	Quarterly	30-60 days
Total Investments Measured at NAV	\$ 185,381,823			

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the District attempts to match its investments with anticipated cash flow requirements.

**Credit Risk - Investments**

As indicated above, State Statutes limit the investment options of the District. The District has no investment policy that would limit its investment choices due to credit risk.

**Concentration of Credit Risk**

The District has no policy limiting an investment in any one issuer that is in excess of 5% of the District's total investments.

**Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them for the District), the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2017, the District did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the District's name.

**B. Receivables**

Receivables as of year end for the District's individual major funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>General</u>	<u>Clean Water Project</u>	<u>Capital Projects Funds</u>	<u>Water Utility</u>	<u>Hydroelectric Development Project</u>	<u>Internal Service Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Sewer use charges	\$ 5,985,914	\$ 12,869,728						\$ 18,855,642
Customers and employees	3,303,485			23,563,680	80,693			26,947,858
Assessments			1,923,135	1,006,729				2,929,864
Accrued interest			416,383	234,598				650,981
Intergovernmental		30,554,804						30,554,804
Other	<u>2,437,542</u>		<u>11,973,605</u>			<u>88,881</u>	<u>233,329</u>	<u>14,733,357</u>
Gross receivables	<u>11,726,941</u>	<u>43,424,532</u>	<u>14,313,123</u>	<u>24,805,007</u>	<u>80,693</u>	<u>88,881</u>	<u>233,329</u>	<u>94,672,506</u>
Less allowance for uncollectibles	<u>5,063,066</u>		<u>370,372</u>	<u>3,998,135</u>		<u>45,847</u>		<u>9,477,420</u>
Net Total Receivables	<u>\$ 6,663,875</u>	<u>\$ 43,424,532</u>	<u>\$ 13,942,751</u>	<u>\$ 20,806,872</u>	<u>\$ 80,693</u>	<u>\$ 43,034</u>	<u>\$ 233,329</u>	<u>\$ 85,195,086</u>



**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**C. Interfund Transfers**

Interfund transfers are generally used to supplement revenues of other funds. Interfund transfers for the year ended December 31, 2017 were as follows:

	<u>Transfer In</u> <u>Debt Service</u> <u>Fund</u>
Transfers out:	
General Fund	\$ 21,112,998
Clean Water Project Fund	41,320,603
Capital Projects Fund	<u>10,499</u>
Total Transfers In	<u>\$ 62,444,100</u>

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 10,206,473	\$	\$	\$	\$ 10,206,473
Construction in progress	777,153,490	242,803,611	134,694,573	(17,707,978)	867,554,550
Total capital assets not being depreciated	<u>787,359,963</u>	<u>242,803,611</u>	<u>134,694,573</u>	<u>(17,707,978)</u>	<u>877,761,023</u>
Capital assets being depreciated:					
Buildings	396,276,405	43,995,046	400,847		439,870,604
Machinery and equipment	41,818,840	2,974,899	1,315,974		43,477,765
Infrastructure	564,403,956	87,341,438	429,469		651,315,925
Total capital assets being depreciated	<u>1,002,499,201</u>	<u>134,311,383</u>	<u>2,146,290</u>	<u>-</u>	<u>1,134,664,294</u>
Less accumulated depreciation for:					
Buildings	128,846,980	17,358,270	23,052		146,182,198
Machinery and equipment	17,867,345	2,928,398	1,306,624		19,489,119
Infrastructure	165,803,170	5,814,225	264,993		171,352,402
Total accumulated depreciation	<u>312,517,495</u>	<u>26,100,893</u>	<u>1,594,669</u>	<u>-</u>	<u>337,023,719</u>
Total capital assets being depreciated, net	<u>689,981,706</u>	<u>108,210,490</u>	<u>551,621</u>	<u>-</u>	<u>797,640,575</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,477,341,669</u>	<u>\$ 351,014,101</u>	<u>\$ 135,246,194</u>	<u>\$ (17,707,978)</u>	<u>\$ 1,675,401,598</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 10,181,885	\$	\$	\$	\$ 10,181,885
Construction in progress	244,250,451	18,597,434	33,661,788	17,707,978	246,894,075
Total capital assets not being depreciated	<u>254,432,336</u>	<u>18,597,434</u>	<u>33,661,788</u>	<u>17,707,978</u>	<u>257,075,960</u>
Capital assets being depreciated:					
Buildings	127,316,343	7,194,726	2,255,206		132,255,863
Machinery and equipment	29,247,493	2,486,242	1,216,689		30,517,046
Infrastructure	346,590,267	27,403,915	24,136,029		349,858,153
Total capital assets being depreciated	<u>503,154,103</u>	<u>37,084,883</u>	<u>27,607,924</u>	<u>-</u>	<u>512,631,062</u>
Less accumulated depreciation for:					
Buildings	52,962,323	3,514,806	944,234		55,532,895
Machinery and equipment	18,475,696	2,029,340	1,207,150		19,297,886
Infrastructure	130,758,552	12,363,727	24,025,779		119,096,500
Total accumulated depreciation	<u>202,196,571</u>	<u>17,907,873</u>	<u>26,177,163</u>	<u>-</u>	<u>193,927,281</u>
Total capital assets being depreciated, net	<u>300,957,532</u>	<u>19,177,010</u>	<u>1,430,761</u>	<u>-</u>	<u>318,703,781</u>
Business-Type Activities Capital Assets, Net	<u>\$ 555,389,868</u>	<u>\$ 37,774,444</u>	<u>\$ 35,092,549</u>	<u>\$ 17,707,978</u>	<u>\$ 575,779,741</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
General government	\$ 902,223
Engineering	36,913
Operations	8,232,092
Plant and maintenance	<u>16,929,665</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 26,100,893</u></b>
Business-type activities:	
Water	\$ 17,755,572
Hydroelectric	<u>152,301</u>
<b>Total Depreciation Expense - Business-Type Activities</b>	<b><u>\$ 17,907,873</u></b>

**Construction Commitments**

The District has active construction projects as of December 31, 2017. At year end, the District's commitments with contractors for governmental activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2015 SHCST Construction	\$ 195,073,841
2014 WWEP #2012-21 Clarifier	42,138,223
2012 Rocky Hill Interceptor Relief Sewer	26,002,157
2013 RHWPCF Capacity & Upgrades	4,022,621
Large Diameter Cleaning Program	3,118,751
2015 Hartford WPCF SPB Electrical Upgrad	2,510,671
2015 Various Sewer Pipe Rplcmnt/Rehab-DW	1,917,228
2014 Various Sewer Pipe Replace/Rehab DW	1,602,219
2013 WWEP Contract #2012-20	1,279,370
Wastewater Trt. Fac. Sec. & Comm. Imps	1,249,929
2014 Hrtfrd WPCF Sludge Mixing Tank Upgd	1,189,862
2014 SSES Rocky Hill - II	1,100,132
2015 WPC Equipment & Facilities Imprvmnt	1,092,518
2017-WPC Equipment & Facilities Impr.	981,817
2012 Sewer Replacement Montclair Dr WH	931,481
2010 WPC Electrical SystemsModernization	903,285
2015 Sewer Paving Program	647,373
Franklin Proj #5-Package D W. Preston St	605,133
2016 RHWPCF Outfall and RHI Lining	604,022
2015 WPC Plant Infrastructure Rnwl & Rpl	588,461
2009 CMOM Compliance - Equip & Staffing	564,353
HARTFORD ODOR CONTROL CONSTR.	517,005
Airport Rd Htfd Pump Station Forced Main	432,731
2014 General Purpose Sewer	413,824
2015 Greenhurst Rd Area Sanitary Swr Imp	404,343
2014 Sewer Rehabilitation Program	396,560
2017 Various Sewer Segment Replacement/R	391,906

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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<u>Project Name</u>	<u>Remaining Commitment</u>
2009 WPC INFRA REPLACE & IMPROVE	\$ 364,900
2017 Sewer Paving Program and Rest.	341,061
2015 SHCST Utility Relocation	326,491
2011 CMOM - Compliance	293,305
2015 Poquonock WPCF Pmry & Scndry Tanks	288,740
2012 WPC Renewal and Replacement	259,811
2013 WPC Plant Infra. Renewal & Replace	257,137
2015 Sewer Rehabilitation Program	252,013
2015 General Purpose Sewer	243,127
2017 Fleet Equipment Replacement	238,376
2017 WPC Plant Infrastructure Renewal &	220,992
2012 General Purpose Sewer	197,127
2015 Admin Facilities Imprvmnt Program	191,876
2013 SCADA Upgrades	189,721
2013 Various Sewer Pipe Replacement/Rehab	187,946
2012 Sanitary Sewer Replacement Prg	154,880
2013 General Purpose Sewer - Various Swr	153,343
2012 Sanitary Sewer Retreat Ave Htfd	146,819
2011 WPC Renewal & Replacements	99,435
2012 Sewer Rehabilitation Program	76,697
2011 Headquarters Renovation	75,173
2013 Facilities Improvement Program	63,871
2013 Mohawk WWPS - East Hartford	62,313
2009 Assessable SWR - Mountain Road, W.H.	60,343
2012 HWPC Solids Handling & Processing	59,548
2016 Various Sewer Pipe R/R-District Wid	52,578
Multiple Projects < \$50K	402,929
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Total	\$ 295,940,368
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**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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The District's commitments with contractors for construction in process for business-type activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2014 UCONN-FARMINGTON HEALTH CTR	\$ 2,302,378
2013 Radio Frequency AMR	1,404,042
2014 Water Main Replacements W. Hartford	1,380,000
2015 Wtr Mn Rplcmnt-Garden St Area, Weth	993,294
2014 Kilkenny Water Transmission Main	971,845
2017 WATER Paving Program and Rest.	959,293
2012 General Purpose Water	560,663
2010CWP Water Main Guilford Pliny Htfd	538,509
2016 WMR Simmons Road Area, EHftd	483,459
2011 WMR-COTTAGE GROVE RD, BLOOMFIELD	449,624
2010 General Purpose Water	433,290
General Purpose Water	387,168
2013 Paving Program	356,008
2011 TMR HAMILTON ST&PARK TERR,HTFD,PHII	327,775
2014 General Purpose Water	300,510
2011 WMR HARTFORD	232,574
2012 Water Treatment Facilities Upgrades	217,429
2014 Water Main Replacements Wethersfiel	215,321
2012 Radio Frequency Automated Meter	189,385
2012 Wtr Main Replacement - Retreat Ave	157,920
2011 WATER SUPPLY & WATERSHED LAND IMP.	155,604
2010 Water Dist Facility Security	152,405
2010 Hydraulic Computer Modeling	137,041
2013 General Purpose Water Program	107,521
2013 ASSET MGMT WATER MAIN REHAB	107,336
2010 Water Treatment Facility Upgrade	81,176
2012 Paving Program	74,989
2013 Jerome Ave Wtr Main Replace. Bloomf	72,827
WATER MAIN GATE VALVE REPLACEMENTS	71,594
2010CWP Watr Main Wethersfield #3 Hrtfd	71,077
2015 General Purpose Water Program	70,051
2014 Various Trnsmssn Main Dsgn & Cnstrc	68,040
2014 Phelps Brook Dam/ East Dike Rehab	63,852
CLSD-WATER MAIN FARMINGTON AVE HTFD	63,385
2012 Standpipe & Above Grade Storage Tan	52,531
Multiple Projects < \$50K	<u>257,395</u>
Total	<u>\$ 14,467,311</u>

The commitments are being financed with general obligation bonds and state and federal grants.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**E. Bond Anticipation Notes**

The District uses bond anticipation notes during the construction period of various projects prior to the issuance of the bonds at the completion of the project.

The District issued the following bond anticipation notes during 2017:

<u>Issuance Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Premium</u>	<u>Maturity Date</u>
August 3, 2017	\$ 120,000,000	3.00%	\$ 1,644,000	August 1, 2018

Bond anticipation note transactions for the year ended December 31, 2017 were as follows:

Outstanding - December 31, 2016	\$	
New borrowings		120,000,000
Repayments		<u>                    </u>
Outstanding - December 31, 2017	\$	<u>120,000,000</u>

**F. Operating Leases**

Total operating lease payments for the year ended December 31, 2017 were \$437,782. Commitments under an operating lease agreement with the Army Corps of Engineers for water storage rights require minimum annual rental payments, including interest at 3.14% over 50 years. The total cost of this lease was \$204,222 for the year ended December 31, 2017, paid by the Water Utility Fund. Other operating lease payments for office equipment totaled \$233,560 for the year ended December 31, 2017. Future operating lease commitments are as follows:

	<u>Amount</u>
2018	\$ 394,081
2019	251,013
2020	10,710
2021	3,127
2022	<u>299</u>
Total	\$ <u>659,230</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**G. Long-Term Debt**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 280,392,899	\$	\$ 12,791,568	\$ 267,601,331	\$ 16,763,654
Revenue bonds	216,810,000		3,760,000	213,050,000	3,870,000
Premiums	46,665,336		2,451,521	44,213,815	
Total bonds payable	<u>543,868,235</u>	-	<u>19,003,089</u>	<u>524,865,146</u>	<u>20,633,654</u>
Clean water fund loans	348,839,161	127,654,336	20,091,391	456,402,106	91,466,180
Compensated absences	2,009,223	2,731,012	1,917,576	2,822,659	2,515,714
Net pension liability	13,040,848	14,471,573		27,512,421	
OPEB obligation	<u>27,354,201</u>	<u>16,505,979</u>		<u>43,860,180</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 935,111,668</u>	<u>\$ 161,362,900</u>	<u>\$ 41,012,056</u>	<u>\$ 1,055,462,512</u>	<u>\$ 114,615,548</u>
Business-Type Activities:					
General obligation bonds	\$ 222,847,089	\$	\$ 11,378,428	\$ 211,468,661	\$ 13,746,346
Premiums	19,159,532		1,270,415	17,889,117	
Total bonds payable	<u>242,006,621</u>	-	<u>12,648,843</u>	<u>229,357,778</u>	<u>13,746,346</u>
Drinking water fund loans	52,742,532	3,670,542	3,021,534	53,391,540	8,032,489
Compensated absences	1,804,314	2,959,827	1,733,954	3,030,187	2,247,485
Claims and judgments	4,667,200	14,623,699	13,059,157	6,231,742	1,049,598
Net pension liability	38,465,251		28,761,036	9,704,215	
OPEB obligation	<u>48,819,640</u>		<u>3,786,414</u>	<u>45,033,226</u>	
Total Business-Type Activities Long-Term Liabilities	<u>\$ 388,505,558</u>	<u>\$ 21,254,068</u>	<u>\$ 63,010,938</u>	<u>\$ 346,748,688</u>	<u>\$ 25,075,918</u>

For the governmental activities, claims and judgments, pension obligation, OPEB obligation and compensated absences are generally liquidated by the General Fund.

**General Obligation Bonds**

General obligation bonds are direct obligations of the District for which full faith and credit are pledged and are payable from taxes levied on member towns and other operating revenues. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	Various	\$ 267,601,331
Business-type activities	Various	<u>211,468,661</u>
		<u>\$ 479,069,992</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 16,763,654	\$ 11,086,326	\$ 13,746,346	\$ 8,667,305
2019	16,946,206	10,270,213	13,863,794	7,994,118
2020	16,737,564	9,457,607	13,827,436	7,307,749
2021	16,210,524	8,669,942	13,694,476	6,634,013
2022	16,299,958	7,917,136	13,750,043	5,982,323
2023-2027	75,567,642	29,686,400	66,277,358	20,860,475
2028-2032	67,054,265	15,573,660	52,945,735	9,233,312
2033-2037	34,411,518	4,570,628	23,363,473	1,360,280
2038-2040	7,610,000	695,025		
Total	<u>\$ 267,601,331</u>	<u>\$ 97,926,937</u>	<u>\$ 211,468,661</u>	<u>\$ 68,039,575</u>

**Authorized but Unissued Bonds**

The total of authorized but unissued bonds at December 31, 2017 is \$1,192,128,506. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

**Revenue Bonds**

Revenue bonds are special obligations of the District and are issued pursuant to the District's Charter and Chapter 103 of the Connecticut General Statutes as amended, the Special Obligation Indenture of Trust by and between the District and U.S. Bank National Association (the Trustee) for the purpose of providing funds for the Clean Water Project. The revenue bonds are secured by a pledge of and payable from the Trust Estate which includes pledged revenues, which are special revenues to be received by the District from a Special Sewer Service Surcharge (a.k.a. Clean Water Project Charge), together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate. The revenue bonds are not a general obligation of the District. Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	Various	\$ <u>213,050,000</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Annual debt service requirements to maturity for revenue bonds are as follows:

	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 3,870,000	\$ 10,239,800
2019	4,015,000	10,065,050
2020	4,075,000	9,959,750
2021	4,225,000	9,756,000
2022	4,355,000	9,577,000
2023-2027	24,475,000	44,478,750
2028-2032	37,420,000	37,686,750
2033-2037	74,135,000	23,472,900
2038-2044	<u>56,480,000</u>	<u>6,942,625</u>
Total	<u>\$ 213,050,000</u>	<u>\$ 162,178,625</u>

**Clean and Drinking Water Fund Loans**

The District participates in the State of Connecticut’s Clean and Drinking Water programs, which provide low-interest loans bearing 2% interest for eligible waste water and 2% interest for eligible drinking water projects. Projects are financed by interim loan obligations until project completion, at which time internal loan obligations are replaced by permanent loan obligations. In the case of certain large projects, permanent loan obligations may be issued annually.

Clean Water Fund loans finance the sewer infrastructure and facility improvements (governmental activities) and will be repaid from future taxation, special sewer service surcharge and user fees.

Drinking Water Fund loans finance the water infrastructure and facility improvements (business-type activities) and will be financed by user charges.

Permanent loan obligations mature as follows:

	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 21,325,063	\$ 6,257,518
2019	21,145,177	5,832,189
2020	20,918,086	5,411,843
2021	20,918,086	4,993,482
2022	20,305,944	4,580,292
2023-2027	99,911,612	16,876,284
2028-2032	85,703,310	7,353,246
2033-2036	<u>32,422,583</u>	<u>1,152,781</u>
	<u>\$ 322,649,861</u>	<u>\$ 52,457,635</u>



**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 3,250,571	\$ 963,711
2019	3,127,162	878,682
2020	3,115,882	814,295
2021	2,875,211	753,341
2022	2,853,661	696,085
2023-2027	13,750,732	2,647,496
2028-2032	13,265,669	1,290,735
2033-2037	6,303,919	180,743
	<u>\$ 48,542,807</u>	<u>\$ 8,225,088</u>

Interim loan obligations mature and convert to permanent loan obligations as follows:

	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 70,141,117	\$ 935,299
2019	19,099,839	220,363
2020		
2021		
2022	44,511,289	465,759
	<u>\$ 133,752,245</u>	<u>\$ 1,621,421</u>

	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 4,781,918	\$ 29,169
2019	66,815	54
	<u>\$ 4,848,733</u>	<u>\$ 29,223</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**H. Fund Balance**

The components of fund balance for the governmental funds at December 31, 2017 are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Clean Water Project</u>	<u>Capital Projects</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Prepays	\$ 314,997	\$	\$ 53,957	\$	\$ 368,954
Inventory	2,536,006				2,536,006
Restricted for:					
Debt service or capital expenditures		621,283	119,555,615		120,176,898
Committed to:					
General purpose sewer				30,070,627	30,070,627
Information systems development				46,993	46,993
Facility and building improvements				45,659,694	45,659,694
Inflow and infiltration master plan				963,762	963,762
Unassigned	<u>16,743,975</u>			<u>(130,243,360)</u>	<u>(113,499,385)</u>
Total Fund Balances	<u>\$ 19,594,978</u>	<u>\$ 621,283</u>	<u>\$ 119,609,572</u>	<u>\$ (53,502,284)</u>	<u>\$ 86,323,549</u>

There were no outstanding encumbrances at December 31, 2017.

**4. EMPLOYEE RETIREMENT PLAN**

**A. Plan Description and Benefits Provided**

The District has an employee retirement system with a pension plan adopted January 1, 1944 and amended January 1, 1997. The Aetna Insurance Company is the administrator of the Metropolitan District Employees' Retirement System (MDERS), which is a defined benefit, single employer retirement system. The MDERS provides retirement, disability and death benefits to plan members and beneficiaries.

Management of the plans rests with the Personnel, Pension and Insurance Committee (PPI), which consists of 11 members.

The pension plan is included in the District's financial reporting entity and accounted for in the pension trust fund. The MDERS does not issue a stand-alone financial report.

At January 1, 2017, which is the last date of actuarial valuation, membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	582
Terminated members entitled to but not yet receiving benefits	41
Current active members	480
Nonvested former participants	<u>21</u>
Total Members	<u>1,124</u>

Participation in the plan is immediate upon employment for all full-time employees. Vesting in benefits occurs after ten years of service. Termination of employment before that time results in forfeiture of the District's portion of the accrued benefit.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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The District's Personnel, Pension and Insurance Committee, as provided by the District's general ordinances, establishes the benefit provisions and the employer's and employees' obligations. Any bargaining or nonbargaining unit employee who becomes totally and permanently disabled and has completed 10 years of service will receive 100% of the pension that the employee would have been entitled to. Annual pension payments are determined at 2% times years of service times final average earnings subject to a maximum of 32 years.

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are financed through investment earnings.

**Valuation of Investments**

Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price.

**C. Funding Policy**

Employees hired prior to October 4, 2015 are required to contribute 5% of their annual covered salary and employees hired thereafter are required to contribute 7% of their annual covered salary.

**D. Investments**

**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Personnel, Pension and Insurance Committee by a majority vote of its members. It is the policy of the Personnel, Pension and Insurance Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Core Fixed Income	15.00%
Global Funds	12.50%
Large Cap U.S. Equities	30.00%
Mid Cap U.S. Equities	10.00%
Small Cap U.S. Equities	10.00%
Developed Foreign Equities	10.00%
Real Estate (REITS)	6.00%
Private Real Estate Property	1.50%
Commodities	5.00%

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Rate of Return**

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**E. Net Pension Liability of the District**

The components of the net pension liability of the District at December 31, 2017 were as follows:

Total pension liability	\$ 257,137,288
Plan fiduciary net position	<u>219,920,652</u>
Net Pension Liability	<u>\$ 37,216,636</u>
Plan fiduciary net position as a percentage of the total pension liability	85.53%

The net pension liability is recorded in the Water Utility Fund and the Hydroelectric Development Project Fund (Proprietary Funds), and the Governmental Activities of the District.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Combined Healthy Mortality tabled blended 75% Blue Collar, 25% White Collar, with generational projection per Scale AA.
Actuarial cost method	Entry Age Normal

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Rate of Return</b>
Core Fixed Income	2.66%
Global Funds	1.73%
Large Cap U.S. Equities	4.86%
Mid Cap U.S. Equities	5.41%
Small Cap U.S. Equities	6.11%
Developed Foreign Equities	5.88%
Real Estate (REITS)	5.77%
Private Real Estate Property	3.85%
Commodities	3.02%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Changes in the Net Pension Liability**

<b>Metropolitan District Employees' Retirement System</b>			
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of January 1, 2017	\$ 252,793,496	\$ 201,287,397	\$ 51,506,099
Changes for the year:			
Service cost	3,989,674		3,989,674
Interest on total pension liability	18,000,653		18,000,653
Changes of benefit terms	258,130		258,130
Differences between expected and actual experience	(605,374)		(605,374)
Changes in assumptions			-
Employer contributions		6,300,000	(6,300,000)
Member contributions		2,343,416	(2,343,416)
Net investment income		36,679,882	(36,679,882)
Benefit payments, including refund to employee contributions	(17,299,291)	(17,299,291)	-
Administrative expenses		(119,313)	119,313
Special items		(9,271,439)	9,271,439
Net changes	<u>4,343,792</u>	<u>18,633,255</u>	<u>(14,289,463)</u>
Balances as of December 31, 2017	\$ <u>257,137,288</u>	\$ <u>219,920,652</u>	\$ <u>37,216,636</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the District, calculated using the discount rate of 7.25%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
District's Net Pension Liability \$	65,329,890	\$ 37,216,636	\$ 13,196,614

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the District recognized pension expense of \$6,454,834, which is recorded within the Water Utility fund, Hydroelectric Development Project fund and the Governmental Activities of the District in the amounts of \$3,710,077, \$21,031 and \$2,723,726, respectively. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Metropolitan District Employees' Retirement System</b>	
	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ (661,475)	\$ 103,580
Changes of assumptions		3,858,423
Net difference between projected and actual earning on pension plan investments	<u>(6,400,987)</u>	
Total	<u>\$ (7,062,462)</u>	<u>\$ 3,962,003</u>

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

<u>Year Ended December 31,</u>	
2018	\$ 712,096
2019	712,097
2020	(1,761,930)
2021	(2,717,878)
2022	<u>(44,844)</u>
	<u>\$ (3,100,459)</u>

**F. 457(f) Nonqualified Deferred Compensation Plan**

The District has a 457(f) Nonqualified Deferred Compensation Plan for three key employees as deemed eligible by the Personnel, Pension and Insurance Committee. The District will make contributions to the plan as deemed necessary. The District made no contributions to the plan during 2017.





**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**H. Combining Statement of Revenue, Expenses and Changes in Net Position**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 6,300,000	\$ 5,000,000	\$ 11,300,000
Plan members	2,343,416	804,712	3,148,128
Reimbursements	451,135	451,135	451,135
Total contributions	<u>8,643,416</u>	<u>6,255,847</u>	<u>14,899,263</u>
Investment earnings:			
Net change in fair value of investments	24,936,432		24,936,432
Interest and dividends	12,780,343		12,780,343
Total investment earnings	37,716,775	-	37,716,775
Less investment expenses:			
Investment management fees	1,036,893		1,036,893
Net investment earnings	<u>36,679,882</u>	-	<u>36,679,882</u>
Total additions	<u>45,323,298</u>	<u>6,255,847</u>	<u>51,579,145</u>
Deductions:			
Benefits	17,299,291	6,595,450	23,894,741
Administrative expense	119,313		119,313
Total deductions	<u>17,418,604</u>	<u>6,595,450</u>	<u>24,014,054</u>
Change in Net Position	<u>27,904,694</u>	<u>(339,603)</u>	<u>27,565,091</u>
Special item - Mid-Connecticut Settlement	(9,271,439)	(26,346,000)	(35,617,439)
Net Position at Beginning of Year	<u>201,287,397</u>	<u>26,160,051</u>	<u>227,447,448</u>
Net Position at End of Year	<u>\$ 219,920,652</u>	<u>\$ (525,552)</u>	<u>\$ 219,395,100</u>

**5. POSTEMPLOYMENT HEALTHCARE PLAN - RETIREE HEALTH PLAN**

**Plan Description**

The Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan and provides medical, dental and life insurance benefits to eligible retirees and their spouses. Spouses and eligible dependents covered on medical and dental insurance only if the retiree declares at least a 90% pension annuity. District employees eligible to participate in the plan are as follows: 65 years old or 55 years old with 10 years of service or the sum of age and service is 85. Benefit provisions are established through negotiations between the District and the various unions representing the employees.

Management of the post employment benefits plan rests with the Personnel, Pension and Insurance Committee (PPI), which consists of 11 members.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Expenses for postemployment benefits were paid out of the OPEB trust fund during fiscal year ended December 31, 2017. The plan does not issue a stand-alone financial report.

At January 1, 2016, plan membership consisted of the following:

	<b>Retiree Health Plan</b>
Retired members	450
Spouses of retired members	319
Active plan members	<u>655</u>
Total Participants	<u><u>1,424</u></u>

**Funding Policy**

The contribution requirements of plan members and the District are also negotiated with the various unions representing the employees. Active employees hired prior to October 4, 2015 are required to contribute 0.5% of regular earnings and active employees hired after October 4, 2015 are required to contribute 1.0% of regular earnings into the OPEB Trust Fund. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums.

The cost per month for District retiree plus one or family coverage is the full monthly allocation rate for that coverage, subtracting the cost for single coverage, and then subtracting \$19.65. The retiree then pays the balance. There is no cost for retiree-only coverage. Bargaining unit retirees are provided with \$5,000 in life insurance and the ability to buy additional coverage, up to ½ of the coverage they had as an active employee.

Employer contributions to the plan of \$5,000,000 were made in accordance with actuarially determined requirements.

**Investments**

**Investment Policy**

The OPEB investment policy is established and amended by the Personnel, Pension and Insurance Committee by a majority of its members. The investment strategy is based upon the liquidity needs of the plan and thereby determines the distinct asset classes to be invested therein. The investment strategy reduces risk through prudent selection of investments and diversification of the portfolio, which can be changed over time based upon forecasted liquidity needs.

**Rate of Return**

For the year ended December 31, 2017, the annual money-weighted rate of return on investments, net of investment expense, was zero percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Net OPEB Liability of the District**

During the year, the District implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net position. The components of the net OPEB liability of the District at December 31, 2017 were as follows:

Total OPEB liability	\$ 314,317,196
Plan fiduciary net position	<u>(525,552)</u>
 Net OPEB Liability	 <u>\$ 314,842,748</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	  -0.17%

The District’s net OPEB liability will be required to be recorded on the government-wide financial statement of net position at December 31, 2018.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.50%, including inflation
Investment rate of return	4.00%, net of OPEB plan investment expense
Healthcare cost trend rates	5.20% - 4.40% over 77 years

The plan has not had a formal actuarial experience study performed.

The long-term expected rate of return on OPEB 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 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 as of December 31, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	100 %	0.70 %

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.44%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate at December 31, 2017 decreased 0.34% to 3.44% from 3.78% at December 31, 2016.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current discount rate:

	<b>1% Decrease (2.44%)</b>	<b>Current Discount Rate (3.44%)</b>	<b>1% Increase (4.44%)</b>
Net OPEB liability	\$ 370,244,779	\$ 314,842,748	\$ 270,506,543

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.20% decreasing to 3.40%) or 1 percentage point higher (6.20% decreasing to 5.40%) than the current healthcare cost trend rates:

	<b>1% Decrease (4.20% Decreasing to 3.40%)</b>	<b>Healthcare Cost Trend Rates (5.20% Decreasing to 4.40%)</b>	<b>1% Increase (6.20% Decreasing to 5.40%)</b>
Net OPEB liability	\$ 259,268,680	\$ 314,842,748	\$ 387,193,821

**Annual OPEB Cost and Net OPEB Obligations**

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

	<b>Retiree Health Plan</b>
Annual required contribution (ARC)	\$ 18,458,692
Interest on net OPEB obligation	3,046,954
Adjustment to annual required contribution	<u>(3,786,081)</u>
Annual OPEB cost	17,719,565
Contributions made	<u>5,000,000</u>
Increase in net OPEB obligation	12,719,565
Net OPEB obligation, beginning of year	<u>76,173,841</u>
Net OPEB Obligation, End of Year	<u>\$ 88,893,406</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three fiscal years ended December 31, 2017, 2016 and 2015 are presented below:

Fiscal Year Ended	Annual OPEB Cost (AOC)			Actual Contribution		
	District	Mid-Connecticut	Total	District	Mid-Connecticut	Total
12/31/2015	\$ 12,334,454	\$ 2,355,000	\$ 14,689,454	\$ 5,000,000		\$ 5,000,000
12/31/2016	13,287,795	2,355,000	15,642,795	5,000,000		5,000,000
12/31/2017	17,719,565		17,719,565	5,000,000		5,000,000

Fiscal Year Ended	Percentage of AOC Contributed			Net OPEB Obligation		
	District	Mid-Connecticut	Total	District	Mid-Connecticut	Total
12/31/2015	40.5%	0.0%	34.0%	\$ 54,545,334	\$ 10,985,712	\$ 65,531,046
12/31/2016	37.6%	0.0%	32.0%	65,188,129	10,985,712	76,173,841
12/31/2017	28.2%	0.0%	28.2%	88,893,406		88,893,406

**6. OTHER INFORMATION**

**A. Clean Water Project**

The Clean Water Project includes all the programs needed to comply with the Consent Decree from the United States Department of Justice, the EPA and CT DEEP to eliminate eight SSOs and the Consent Order from CT DEEP to implement the Long-Term Control Plan for Combined Sewer Overflow Abatement and to reduce nitrogen from the District’s water pollution control facilities as required by CT DEEP general permit. The District is utilizing the State of Connecticut Clean Water Fund to finance the eligible portions of these projects to the extent funding is available. The Clean Water Fund provides a grant and loan combination for some of this work and a loan only for certain projects.

## **THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS**

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The Consent Decree issued on August 23, 2006 by the U.S. Department of Justice, the EPA and CT DEEP for the elimination of SSOs requires the overflows to be eliminated within five years of the approval of an elimination plan by the EPA in Wethersfield, Rocky Hill and Windsor, and within ten years in West Hartford and Newington. The Consent Decree also carried an \$850,000 civil penalty that was paid in 2006. The Consent Decree requires many interim action reports and construction necessary to reduce the infiltration and inflow of clean water into the sewer systems in the towns outside Hartford including individual homeowner actions. The Clean Water Fund can supply loans at 2% interest for this design and construction.

A Consent Order issued on November 6, 2006 by CT DEEP establishes a compliance schedule for the full implementation of the Long-Term Control Plan for Combined Sewer Overflow Abatement by 2021. The work includes separation of sewers in portions of Hartford to eliminate certain overflows, construction of new conveyance sewers, treatment plant expansion for wet weather flows and a large storage tunnel for retention of flow for later treatment. Meeting the schedule will require extensive and timely capital expenditures, currently projected to be more than \$1 billion over the next 15 years. Construction costs for portions of the sewer separation projects and for construction of conveyance and storage tunnels are eligible for State Clean Water Fund financing with a 50% grant and loan at 2% for the balance to the extent funding is available. Funding for the treatment plant expansion work is eligible for State Clean Water Fund support with a 20% grant and a 2% loan for the balance. In the case that funding was unavailable through the Clean Water Fund, the District would be obligated to issue bonds for the construction, adding increased debt service to its budget.

The third component of the Clean Water Project includes the reduction of nitrogen in the treatment facilities' effluent to meet the state general permit to reduce nitrogen to Long Island Sound. The current permit, effective January 1, 2016, maintains 2014 nitrogen discharge limits through 2018. New facilities are eligible for financing by the Clean Water Fund with a 30% grant and loan at 2% for the balance.

The Clean Water Project will address approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. The project is in response to an EPA SSO federal consent decree and a Connecticut DEEP CSO consent order to achieve the federal Clean Water Act goals. The District's goal is to maximize the funding of the entire project with State and Federal grants; the use of State and Federal low-cost loans, and then fund the remainder with open market debt. Project financing is expected to be repaid with a Special Sewer Service Surcharge to customers' water bills. The Special Sewer Service Surcharge is expected to increase annually up to a maximum, currently estimated at less than \$5.00 per hundred cubic feet of usage by Fiscal Year 2021, and then decline.

### **Cost Estimates**

The total cost of the Clean Water Project was originally estimated to be approximately \$2.1 billion, comprised of three phases and assumed to be completed in 2021, based on assumptions about, among other things, the design as originally conceived and the pace of design and construction and regulatory review and approval. Phase I features projects to control inflow and infiltration, sewer separation projects, projects to increase interceptors, and upgrades to the two treatment plants; it is nearing completion. Phase II features wet weather capacity improvements at the District's treatment plants and a large storage and conveyance tunnel in the south of the District (the South Tunnel). Phase III currently features a large storage and conveyance tunnel in the north of the District running down to the South Tunnel (the North Tunnel) which is intended to mitigate overflows into the North Branch of the Park River. This tunnel has not yet been designed or definitively located and recent data has caused the District to question its utility.

## **THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS**

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An \$800 million appropriation was approved at referendum on November 7, 2006. An appropriation for an additional \$800 million was approved at referendum on November 6, 2012. Effective October 1, 2015, P.A. 15-114 will exclude from the referendum requirement appropriations funded by federal or state grants. An appropriation of \$140 million for a grant, not requiring a referendum, was approved by the District Board on October 5, 2016. Completion of Phase III of the Clean Water Project will require submission of one or more further appropriations for approval by voters. The District has made no determination as to when an additional referendum will be held. The District expects Phase I and Phase II will be completed within authorized appropriations, and to be placed in service without regard to the outcome of any additional referendum.

As the Clean Water Project has progressed, the District has revised the original design conception. The District has been able to refine certain design elements to achieve cost savings, has altered some aspects of the original design, and continues to examine the Clean Water Project for efficiencies that can be achieved through value engineering. The Long-Term Control Plan, which sets out the Clean Water Project, was resubmitted in 2012 and revised further in 2015. It incorporates longer underground storage tunnels with greater capacity, and less sewer separation work, than the original conception, and sets forth a completion of Phase II in 2024 and Phase III in 2029. The revised plan was approved in April 2015. The delays occasioned by the redesign and permitting process, in particular with respect to the South Tunnel, now lead the District to expect an increase in projected costs of the Clean Water Project as a whole, but the District has not re-estimated the overall cost, in part because design and siting work for Phase III has not yet been conducted in sufficient detail. For planning purposes the District is currently projecting a total cost of the Project of \$2.5 billion.

Connecticut DEEP has confirmed that the District's next submission for an update to the Long Term Control Plan is in 2018. The District intends to comply with such request. Data from recent testing performed by the District indicates there are other sources of pollution affecting the North Branch of the Park River, which is causing the District to revisit the utility of the North Tunnel for its intended purposes and may result in the District proposing changes to its Long Term Control Plan.

The District was awarded a contract on June 30, 2016 for the South Tunnel and has entered into a funding agreement with the State of Connecticut for the bulk of the funding of the contract through grants and loans from the State's Clean Water Fund.

The District cannot give any assurances as to when the Clean Water Project will be completed or its total cost.

The District has issued to date \$225.0 million in Clean Water Project Revenue Bonds. The revenue bonds are being repaid from a portion of the Clean Water Project Charge (previously the Special Sewer Service Surcharge) and are not general obligations of the District.

### **B. Risk Management**

The District is exposed to various risks of loss including torts; officers' and employees' liabilities; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all risks of loss except those risks described in the next paragraph. The District established an internal service fund, the self-insurance fund, to account for and finance the retained risk of loss.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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The District is self-insured for health care, workers' compensation claims up to \$500,000 for each accident, deductibles for property damage up to \$100,000 for each location, and general and automobile liability up to \$250,000 for each incident. Additionally, the District has provided for \$1 million of excess coverage for liability coverage with no limits for workers' compensation excess coverage. The self-insurance fund is primarily supported by contributions from the General Fund and the Water Utility Enterprise Fund. Administration for workers' compensation and general and auto liability claims is performed in-house and through third-party administrators whose administrative fees are paid by the self-insurance fund. Blue Cross and Blue Shield administer the District's medical insurance plan for which the District pays a fee. The medical insurance plan provides coverage for most District employees. The District has purchased a stop loss policy for total medical claims in any one year exceeding an aggregate of 110% of expected claims. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no reduction in any coverage during the year from that of the prior year.

The claims liability of \$6,231,742 for the self-insurance fund reported at December 31, 2017 is based on the requirements of GASB Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded. The District's policy is to have an actuarial study performed annually.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that has been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimate. Changes in the claims liability for the past two years are as follows:

		<b>Accrued Liability Beginning of Fiscal Year</b>		<b>Current Year Claims and Changes in Estimates</b>		<b>Claim Payments</b>		<b>Accrued Liability End of Fiscal Year</b>
2016	\$	4,654,708	\$	13,185,617	\$	13,173,125	\$	4,667,200
2017		4,667,200		14,623,699		13,059,157		6,231,742

**C. Contingent Liabilities**

**Arbitrage**

The District may be subject to rebate penalties to the federal government relating to various bond and note issues. The District expects such amounts, if any, to be immaterial.

**Mid-Connecticut Project**

The CRRA and the District entered into a contract dated December 31, 1984, which defined the responsibilities of both parties with respect to the Mid-Connecticut Resource Recovery Facility. The agreement detailed contractual obligations of the District with respect to the operation of the waste-processing facility, the transfer stations, the Hartford landfill and the waste processing facilities, as well as the contractual obligations of the CRRA to reimburse the MDC for direct and indirect costs incurred and indemnify the District for the services performed.



## **THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS**

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The term of the initial contract was for twenty-seven (27) years and the CRRA had the option to extend the contract for an additional twenty (20) years under the same terms and conditions. The contract terminated on December 30, 2011. The Metropolitan District Commission was displaced from the Mid-Connecticut Project and the CRRA has contracted with a private contractor.

The District and CRRA entered into binding arbitration to resolve liability for a dispute related to costs concerning termination of the CRRA contract and other disputed issues. Arbitration proceedings commenced on March 31, 2014. A decision on liability was issued by the arbitration panel on August 23, 2015.

The arbitration panel found CRRA liable for unpaid termination costs, unpaid retiree medical costs, unpaid pension costs, and for future retiree medical and pension for those individuals who retired from the plant during the last years of the project, 2010-2011.

During the damage portion of the arbitration, the parties agreed to settle the arbitration with MIRA, successor to CRRA, paying the District the sum of \$8 million as full and final settlement of any and all claims set forth within or concerning or relating to the arbitration. This settlement was approved by the District Board on October 2, 2017.

Following the execution of the settlement and full receipt of settlement funds, the District closed the Mid-Connecticut Project Proprietary Fund.

### **Other**

On February 12, 2014, the Town of Glastonbury filed a lawsuit against the MDC in State Court seeking a declaratory judgment that the MDC charged water customers in nonmember towns an unlawful surcharge prior to 2014. The surcharge allowed the MDC to capture the proportional cost of the infrastructure utilized to provide Glastonbury and other nonmember town customers with water. The MDC believed it possessed the authority to impose and collect said surcharge.

While the Glastonbury action was pending, the State Legislature amended the MDC's charter through Special Act 14-21 which authorized the MDC to impose the Surcharge on nonmember towns, but capped the amount of the surcharge to the amount of the MDC's customer service charge. The amendment was effective January 1, 2015.

On May 12, 2016, the Superior Court concluded that Special Act 14-21 was not retroactive and the nonmember town charges imposed prior to the effective date of the amendment were unlawful. The MDC appealed that decision. On March 2, 2018, the Connecticut Supreme Court affirmed the trial court ruling.

On March 6, 2018, following the Supreme Court decision, an action was filed on behalf of a proposed class of MDC water customers in the nonmember towns of Glastonbury, East Granby, Farmington and South Windsor between January 1, 2006 and October 1, 2014 (Laurie Paetzold, William Paetzold and Andrew Pinkowski v. Metropolitan District Commission). The named Plaintiffs allegedly resided in the town of Glastonbury during the relevant period and allege that the MDC wrongfully imposed the unlawful surcharge and seek to recover damages.

The lawsuit asserts claims for breach of contract, breach of good faith and fair dealing and in the alternative, unjust enrichment. On behalf of the proposed class, the Plaintiffs are seeking compensatory damages, interest and other just and proper relief.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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The MDC intends to vigorously defend the lawsuit. Counsel for the MDC intends to file a Motion to Strike on several grounds, any one of which, if granted, would end the litigation subject to appeal. The Motion to Strike will be filed by the end of June 2018, and is expected to be argued before the Court by the end of August 2018. If the MDC does not prevail on its Motion to Strike, the MDC will oppose any motion for class certification and has available numerous special defenses to the Plaintiff's claims.

There are other various suits and claims pending against the District, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could materially affect the District's financial position.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxation:				
Hartford	\$ 13,061,000	\$ 13,061,000	\$ 10,963,200	\$ (2,097,800)
East Hartford	6,027,600	6,027,600	5,059,400	(968,200)
Newington	4,471,000	4,471,000	3,752,900	(718,100)
Wethersfield	4,060,300	4,060,300	3,408,200	(652,100)
Windsor	4,356,600	4,356,600	3,656,900	(699,700)
Bloomfield	3,654,000	3,654,000	3,067,100	(586,900)
Rocky Hill	2,949,600	2,949,600	2,475,800	(473,800)
West Hartford	11,063,900	11,063,900	9,286,900	(1,777,000)
Total taxation	<u>49,644,000</u>	<u>49,644,000</u>	<u>41,670,400</u>	<u>(7,973,600)</u>
Sewer user fees:				
Bradley Airport - Hamilton - East Granby	375,000	375,000	1,081,914	706,914
Nonmunicipal - tax exempt	3,433,800	3,433,800	4,571,765	1,137,965
Hi-flow charges	1,998,000	1,998,000	1,742,838	(255,162)
Hi-strength	670,000	670,000	695,336	25,336
Penalties	10,000	10,000	276,334	266,334
Manchester	112,700	112,700	208,394	95,694
South Windsor	15,900	15,900		(15,900)
Farmington	85,400	85,400	83,483	(1,917)
Cromwell	5,200	5,200	4,490	(710)
CRRA	120,000	120,000		(120,000)
Total	<u>6,826,000</u>	<u>6,826,000</u>	<u>8,664,554</u>	<u>1,838,554</u>
Sewer user rebates			<u>(1,024,786)</u>	<u>(1,024,786)</u>
Total sewer user fees	<u>6,826,000</u>	<u>6,826,000</u>	<u>7,639,768</u>	<u>813,768</u>
Intergovernmental:				
Sludge handling	4,500,000	4,500,000	4,671,426	171,426
Household hazardous waste	30,000	30,000	22,077	(7,923)
Total intergovernmental	<u>4,530,000</u>	<u>4,530,000</u>	<u>4,693,503</u>	<u>163,503</u>
Investment income	<u>40,000</u>	<u>40,000</u>	<u>532,877</u>	<u>492,877</u>

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other revenues:				
Rental fees	\$ 5,000	\$ 5,000	\$ 6,391	\$ 1,391
Bill jobs	5,000	5,000		(5,000)
Developers	30,000	30,000	1,066,601	1,036,601
Payroll additives and indirect costs	5,000	5,000		(5,000)
Property rents	150,000	150,000	114,909	(35,091)
Septage/glycol discharge fees	1,170,000	1,170,000	1,329,520	159,520
Miscellaneous	12,279,700	12,279,700	12,457,077	177,377
Total other revenues	<u>13,644,700</u>	<u>13,644,700</u>	<u>14,974,498</u>	<u>1,329,798</u>
Total revenues	<u>74,684,700</u>	<u>74,684,700</u>	<u>69,511,046</u>	<u>(5,173,654)</u>
Other financing sources:				
Transfers in	<u>2,114,000</u>	<u>2,114,000</u>	<u>2,114,000</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>76,798,700</u>	<u>76,798,700</u>	<u>71,625,046</u>	<u>(5,173,654)</u>
Expenditures:				
General government:				
District Board	149,700	136,465	114,454	22,011
Executive office	331,400	338,738	339,169	(431)
Administrative services	110,000	95,501	74,054	21,447
Legal	979,700	992,887	1,043,141	(50,254)
Human resources	728,100	792,331	730,106	62,225
Information systems	2,150,200	2,111,375	2,126,124	(14,749)
Finance	1,988,192	1,919,346	1,891,795	27,551
Total general government	<u>6,437,292</u>	<u>6,386,643</u>	<u>6,318,843</u>	<u>67,800</u>
Engineering and planning	<u>615,100</u>	<u>562,276</u>	<u>524,910</u>	<u>37,366</u>
Operations:				
Environmental health and safety	469,600	449,150	422,429	26,721
Command Center	1,293,200	1,282,922	1,293,253	(10,331)
Chief Operating office	350,900	305,370	292,693	12,677
Customer service	764,008	815,199	825,723	(10,524)
Operations	2,554,300	2,449,225	2,464,898	(15,673)
Total operations	<u>5,432,008</u>	<u>5,301,866</u>	<u>5,298,996</u>	<u>2,870</u>

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Plants and maintenance:				
Water pollution control	\$ 16,281,400	\$ 15,458,276	\$ 15,522,127	\$ (63,851)
Laboratory services	817,300	761,136	731,784	29,352
Maintenance	5,469,500	5,315,667	5,268,944	46,723
Total plants and maintenance	<u>22,568,200</u>	<u>21,535,079</u>	<u>21,522,855</u>	<u>12,224</u>
Employee benefits and other:				
Employee benefits	8,462,500	8,434,165	8,347,321	86,844
General insurance	1,240,200	1,236,659	1,190,881	45,778
Special agreements and programs	1,401,000	1,410,714	1,343,659	67,055
Total employee benefits and other	<u>11,103,700</u>	<u>11,081,538</u>	<u>10,881,861</u>	<u>199,677</u>
Contingency	<u>7,973,600</u>	<u>7,973,600</u>		<u>7,973,600</u>
Debt service:				
Principal	12,734,798	14,023,696	13,724,841	298,855
Interest	9,934,002	9,934,002	9,502,156	431,846
Total debt service	<u>22,668,800</u>	<u>23,957,698</u>	<u>23,226,997</u>	<u>730,701</u>
Total expenditures	<u>76,798,700</u>	<u>76,798,700</u>	<u>67,774,462</u>	<u>9,024,238</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	3,850,584	\$ <u>3,850,584</u>
Budgetary expenditures are different than GAAP expenditures because:				
The District does not budget for allowance adjustments			1,064,102	
The District does not budget for year end payroll accruals			(16,407)	
The District does not budget for year end expense accruals			(79,377)	
Special item			<u>(2,769,942)</u>	
Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			\$ <u>2,048,960</u>	

**THE METROPOLITAN DISTRICT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**MDERS**  
**LAST FOUR FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 3,989,674	\$ 4,121,036	\$ 3,977,923	\$ 3,534,272
Interest	18,000,653	17,634,276	17,230,210	16,861,364
Changes of benefit terms	258,130			
Differences between expected and actual experience	(605,374)	159,570	(348,426)	
Changes of assumptions			7,992,450	
Benefit payments, including refunds of member contributions	<u>(17,299,291)</u>	<u>(15,950,213)</u>	<u>(15,844,541)</u>	<u>(15,437,612)</u>
Net change in total pension liability	4,343,792	5,964,669	13,007,616	4,958,024
Total pension liability - beginning	<u>252,793,496</u>	<u>246,828,827</u>	<u>233,821,211</u>	<u>228,863,187</u>
Total pension liability - ending	<u>257,137,288</u>	<u>252,793,496</u>	<u>246,828,827</u>	<u>233,821,211</u>
Plan fiduciary net position:				
Contributions - employer	6,300,000	6,361,424	6,000,000	5,918,000
Contributions - member	2,343,416	2,247,072	2,255,825	2,160,885
Net investment income	36,679,882	13,824,703	3,637,492	13,864,280
Other income				102,351
Benefit payments, including refunds of member contributions	(17,299,291)	(15,950,213)	(15,844,541)	(15,448,154)
Administrative expense	(119,313)	(109,687)	(35,213)	(46,896)
Special Item	<u>(9,271,439)</u>			
Net change in plan fiduciary net position	18,633,255	6,373,299	(3,986,437)	6,550,466
Plan fiduciary net position - beginning	<u>201,287,397</u>	<u>194,914,098</u>	<u>198,900,535</u>	<u>192,350,069</u>
Plan fiduciary net position - ending	<u>219,920,652</u>	<u>201,287,397</u>	<u>194,914,098</u>	<u>198,900,535</u>
District's Net Pension Liability - Ending	<u>\$ 37,216,636</u>	<u>\$ 51,506,099</u>	<u>\$ 51,914,729</u>	<u>\$ 34,920,676</u>
Plan fiduciary net position as a percentage of the total pension liability	85.53%	79.63%	78.97%	85.07%
Covered payroll	\$ 42,096,151	\$ 43,972,101	\$ 42,655,811	\$ 41,460,234
Net pension liability as a percentage of covered payroll	88.41%	117.13%	121.71%	84.23%

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
MDERS  
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 5,376,378	\$ 6,361,424	\$ 5,805,223	\$ 5,857,601	\$ 5,804,428	\$ 5,347,556	\$ 15,050,472	\$ 8,809,272	\$ 7,066,074	\$ 3,784,198
Contributions in relation to the actuarially determined contribution	6,300,000	6,361,424	6,000,000	5,918,000	5,881,000	5,822,098	4,633,200	2,863,964	7,676,453	3,784,198
Contribution Deficiency (Excess)	\$ (923,622)	\$ -	\$ (194,777)	\$ (60,399)	\$ (76,572)	\$ (474,542)	\$ 10,417,272	\$ 5,945,308	\$ (610,379)	\$ -
Covered payroll	\$ 42,096,151	\$ 43,972,101	\$ 42,655,811	\$ 41,460,234	\$ 38,773,923	\$ 41,341,171	\$ 43,872,205	\$ 45,271,276	\$ 42,052,737	\$ 37,960,169
Contributions as a percentage of covered-employee payroll	14.97%	14.47%	14.07%	14.27%	15.17%	14.08%	10.56%	6.33%	18.25%	9.97%

**Notes to Schedule**

Valuation date: January 1, 2017  
Measurement date: December 31, 2017  
Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal  
Amortization method: Level percent, closed  
Remaining amortization period: 22 years  
Asset valuation method: 5-year asset average, spreading investment gains and losses  
Inflation: 2.75%  
Salary increases: 3.50%  
Investment rate of return: 7.25%  
Retirement age: Aged based rates  
Turnover: Aged based rates  
Mortality: RP-2000 Combined Mortality table blended 75% Blue Collar, 25% White Collar with generational projection per Scale AA



**THE METROPOLITAN DISTRICT  
SCHEDULE OF INVESTMENT RETURNS  
MDERS  
LAST FOUR FISCAL YEARS\***

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	13.80%	7.48%	1.58%	7.42%

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
RETIREE HEALTH PLAN  
LAST FISCAL YEAR\***

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 7,730,316
Interest	10,961,483
Changes of assumptions	16,177,425
Benefit payments	<u>(5,564,433)</u>
Net change in total OPEB liability	29,304,791
Total OPEB liability - beginning	<u>285,012,405</u>
Total OPEB liability - ending	<u>314,317,196</u>
Plan fiduciary net position:	
Contributions - employer	5,000,000
Contributions - member	804,712
Reimbursements	451,135
Benefit payments	(6,595,450)
Special item	<u>(26,346,000)</u>
Net change in plan fiduciary net position	(26,685,603)
Plan fiduciary net position - beginning	<u>26,160,051</u>
Plan fiduciary net position - ending	<u>(525,552)</u>
Net OPEB Liability - Ending	<u>\$ 314,842,748</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.17%
Covered payroll	\$ 43,535,483
Net OPEB liability as a percentage of covered payroll	723.19%

Notes to Schedule:

Discount rate changes: The discount rate at December 31, 2017 decreased 0.34% from 3.78% at December 31, 2016.

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
RETIREE HEALTH PLAN  
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution (1)	\$ 18,458,692	\$ 15,855,000	\$ 14,765,820	\$ 15,755,000	\$ 15,162,000	\$ 14,301,000	\$ 19,989,745	\$ 16,271,928	\$ 15,429,144	\$ 13,918,177
Contributions in relation to the actuarially determined contribution	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,588,854</u>	<u>6,512,592</u>	<u>7,932,085</u>	<u>26,995,985</u>	<u>5,155,361</u>	<u>4,873,081</u>	<u>5,319,344</u>
Contribution Deficiency (Excess)	<u>\$ 13,458,692</u>	<u>\$ 10,855,000</u>	<u>\$ 9,765,820</u>	<u>\$ 10,166,146</u>	<u>\$ 8,649,408</u>	<u>\$ 6,368,915</u>	<u>\$ (7,006,240)</u>	<u>\$ 11,116,567</u>	<u>\$ 10,556,063</u>	<u>\$ 8,598,833</u>
Covered payroll	\$ 43,535,483	\$ 41,000,000	\$ 41,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered payroll	11.48%	12.20%	12.20%	13.97%	16.28%	19.83%	N/A	N/A	N/A	N/A

(1) Actuarially Determined Contributions prior to fiscal year ending December 31, 2017 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Asset valuation method	5-year smoothed market
Inflation	2.75%
Healthcare cost trend rates	5.20% - 4.40% over 77 years
Salary increases	3.5%, average, including inflation
Investment rate of return	4.00%
Retirement age	
Mortality	Expected retirement rates for employees begin at 2% for employees aged 50-55, up to 100% at age 70. RP-2000 Combined Healthy and Disabled Mortality, Male and Female, with generational projection per Scale AA.

Other Information:

The plan was amended to increase the employee contribution from 0.5% to 1.0% and to establish a 10-year service requirement for employees hired on or after October 4, 2015. Based on the data as of January 1, 2016, there were no employees affected by this plan change so the net effect of this change is \$-0-.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF INVESTMENT RETURNS  
RETIREE HEALTH PLAN  
LAST FISCAL YEAR\***

---

**2017**

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Annual money-weighted rate of return,  
net of investment expense

0.00%

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SUPPLEMENTAL, COMBINING  
STATEMENTS AND SCHEDULES**

**THE METROPOLITAN DISTRICT  
ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND  
SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - CONNECTION CHARGE PROJECTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Year</u>	<u>Total Assessments Billed</u>	<u>Assessments Receivable January 1, 2017</u>	<u>Assessments Billed</u>	<u>Assessment Collections</u>	<u>Assessments Receivable December 31, 2017</u>	<u>Interest Collected</u>
2000	\$ 1,032,647	\$ 6,070		\$	\$ 6,070	\$
2001	693,600					
2002	1,349,465	22,649		9,433	13,216	745
2003	1,843,321	80,385		20,837	59,548	3,455
2004	1,155,681	31,311		1,188	30,123	395
2005	804,622	231,095		2,445	228,650	43,279
2006	1,786,053	23,478		4,251	19,227	662
2007	1,120,400	8,774		11	8,763	1
2008	1,108,907	70,650		6,236	64,414	3,182
2009	568,934	46,372		4,306	42,066	2,155
2010	895,500	287,069		24,346	262,723	16,786
2011	333,050	113,708		6,942	106,766	5,490
2012	139,933	60,398		9,932	50,466	4,012
2013	337,982	13,542		473	13,069	479
2014	99,496	61,626		1,844	59,782	2,801
2015	892,511	134,431		23,506	110,925	8,151
2016	2,138,838	219,833		35,085	184,748	13,736
2017			1,158,191	1,104,395	53,796	
Total	\$ <u>16,300,940</u>	\$ <u>1,411,391</u>	\$ <u>1,158,191</u>	\$ <u>1,255,230</u>	\$ <u>1,314,352</u>	\$ <u>105,329</u>

**THE METROPOLITAN DISTRICT  
ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND  
SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - FLAT RATE PROJECTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Year</u>	<u>Total Assessments Billed</u>	<u>Assessments Receivable January 1, 2017</u>	<u>Assessments Billed</u>	<u>Assessment Collections</u>	<u>Assessments Receivable December 31, 2017</u>	<u>Interest Collected</u>
2000	\$ 597,575	\$ 20,375	\$	\$	20,375	\$
2001	514,481	14,264		1,185	13,079	372
2002	375,756	6,658		1,032	5,626	90
2003	684,750	54,235		20,610	33,625	6,824
2004	714,634	67,434		11,973	55,461	4,998
2005	18,097	3,340		689	2,651	240
2006	258,777	11,439		2,030	9,409	686
2007	677,398	90,368		16,515	73,853	2,957
2008	113,301	61,088		5,430	55,658	2,914
2009	146,490	76,745		18,132	58,613	4,603
2010	219,724	37,740		10,057	27,683	3,869
2011	97,616	33,108		1,239	31,869	533
2012	53,935	33,249		305	32,944	274
2013						
2014	380,405	160,418		27,430	132,988	6,613
2015	198,421	37,845		1,039	36,806	1,310
2016						
2017			29,506	11,363	18,143	
<b>Total</b>	<b>\$ 5,051,360</b>	<b>\$ 708,306</b>	<b>\$ 29,506</b>	<b>\$ 129,029</b>	<b>\$ 608,783</b>	<b>\$ 36,283</b>

**THE METROPOLITAN DISTRICT**  
**COMBINING SCHEDULE OF NET POSITION - WATER UTILITY FUND**  
**DECEMBER 31, 2017**

	<u>Water Operations</u>	<u>Water Capital</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 47,307,587	\$ 8,193,465	\$ 55,501,052
Accounts receivable, net of allowance for uncollectibles	18,284,785	2,522,087	20,806,872
Due from other funds	17,588,910	(17,588,910)	-
Inventory	2,726,704		2,726,704
Prepaid items	726,907		726,907
Total current assets	<u>86,634,893</u>	<u>(6,873,358)</u>	<u>79,761,535</u>
<b>Noncurrent assets:</b>			
Capital assets, nondepreciable	10,181,885	246,894,075	257,075,960
Capital assets, net of accumulated depreciation	311,713,063		311,713,063
Total noncurrent assets	<u>321,894,948</u>	<u>246,894,075</u>	<u>568,789,023</u>
Total assets	<u>408,529,841</u>	<u>240,020,717</u>	<u>648,550,558</u>
<b>Deferred outflows of resources:</b>			
Change in pension assumptions	2,217,725		2,217,725
Difference between expected and actual pension plan experience	59,535		59,535
Deferred charge on refunding	1,265,999		1,265,999
Total deferred outflows of resources	<u>3,543,259</u>	<u>-</u>	<u>3,543,259</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	5,825,935	2,254,556	8,080,491
Bond anticipation notes payable	26,775,000		26,775,000
Premium on bond anticipation notes payable	375,213		375,213
Customer advances for construction		2,487,571	2,487,571
Current portion of compensated absences	2,247,485		2,247,485
Current portion of bonds and loans payable	21,778,835		21,778,835
Total current liabilities	<u>57,002,468</u>	<u>4,742,127</u>	<u>61,744,595</u>
<b>Noncurrent liabilities:</b>			
Compensated absences	782,702		782,702
Bonds and loans payable after one year	260,970,483		260,970,483
Net pension liability	9,649,517		9,649,517
OPEB obligation	44,779,394		44,779,394
Total noncurrent liabilities	<u>316,182,096</u>	<u>-</u>	<u>316,182,096</u>
Total liabilities	<u>373,184,564</u>	<u>4,742,127</u>	<u>377,926,691</u>
<b>Deferred inflows of resources:</b>			
Difference between projected and actual earnings on pension plan investments	3,679,127		3,679,127
Difference between expected and actual pension plan experience	380,199		380,199
Total deferred inflows of resources	<u>4,059,326</u>	<u>-</u>	<u>4,059,326</u>
<b>Net Position:</b>			
Net investment in capital assets	13,636,629	261,728,053	275,364,682
Unrestricted	21,192,581	(26,449,463)	(5,256,882)
Total Net Position	<u>\$ 34,829,210</u>	<u>\$ 235,278,590</u>	<u>270,107,800</u>



**THE METROPOLITAN DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION - WATER UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Water Operations</u>	<u>Water Capital</u>	<u>Total</u>
Operating Revenues:			
Water sales	\$ 78,137,873	\$	\$ 78,137,873
Miscellaneous	4,138,981		4,138,981
Total operating revenues	<u>82,276,854</u>	<u>-</u>	<u>82,276,854</u>
Operating Expenses:			
General government	9,009,693		9,009,693
Operations	12,551,906		12,551,906
Plants and maintenance	16,372,435		16,372,435
Employee benefits and other	25,445,094		25,445,094
Depreciation expense	17,755,572		17,755,572
Total operating expenses	<u>81,134,700</u>	<u>-</u>	<u>81,134,700</u>
Operating Income (Loss)	<u>1,142,154</u>	<u>-</u>	<u>1,142,154</u>
Nonoperating Revenues (Expenses):			
Investment income	201,900		201,900
Miscellaneous nonoperating revenue	1,759,023		1,759,023
Interest and fiscal charges	(9,117,593)		(9,117,593)
Net nonoperating revenues (expenses)	<u>(7,156,670)</u>	<u>-</u>	<u>(7,156,670)</u>
Income (Loss) Before Grants and Contributions, and Transfers	<u>(6,014,516)</u>	<u>-</u>	<u>(6,014,516)</u>
Grants and Contributions:			
Capital grants		226,615	226,615
Capital contributions	20,370,001		20,370,001
Total grants and contributions	<u>20,370,001</u>	<u>226,615</u>	<u>20,596,616</u>
Change in Net Position	14,355,485	226,615	14,582,100
Net Position at Beginning of Year	<u>20,473,725</u>	<u>235,051,975</u>	<u>255,525,700</u>
Net Position at End of Year	<u>\$ 34,829,210</u>	<u>\$ 235,278,590</u>	<u>\$ 270,107,800</u>

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL - BUDGETARY BASIS - WATER UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget - Positive (Negative)</u>
Sale of Water:				
Water Use Charges:				
Domestic	\$ 37,422,800	\$ 37,422,800	\$ 34,540,663	\$ (2,882,137)
Commercial	11,786,400	11,786,400	11,660,987	(125,413)
Industrial	1,634,300	1,634,300	2,079,789	445,489
Public Authorities	3,200,000	3,200,000	3,009,746	(190,254)
Other Water Companies	1,357,300	1,357,300	1,953,714	596,414
Total water use charges	<u>55,400,800</u>	<u>55,400,800</u>	<u>53,244,899</u>	<u>(2,155,901)</u>
Service Charges:				
Domestic	19,235,500	19,235,500	21,131,150	1,895,650
Commercial	1,957,100	1,957,100	2,474,237	517,137
Industrial	354,600	354,600	360,220	5,620
Public Authorities	707,200	707,200	882,424	175,224
Other Water Companies	14,500	14,500	44,943	30,443
Total service charges	<u>22,268,900</u>	<u>22,268,900</u>	<u>24,892,974</u>	<u>2,624,074</u>
Total sale of water	<u>77,669,700</u>	<u>77,669,700</u>	<u>78,137,873</u>	<u>468,173</u>
Other Operating Revenues:				
Hydrant Maintenance	1,135,700	1,135,700	1,153,939	18,239
Fire Protection Services	1,903,000	1,903,000	2,011,586	108,586
Water Billing Penalties	700,000	700,000	825,743	125,743
Total other operating revenues	<u>3,738,700</u>	<u>3,738,700</u>	<u>3,991,268</u>	<u>252,568</u>
Nonoperating Revenues:				
Other revenues:				
Forestry	260,000	260,000	286,670	26,670
Bill Job P/R & Materials	75,000	75,000	41,086	(33,914)
Developers P/R Material	65,000	65,000	591,182	526,182
Bill Job & Dev P/R Additives	30,000	30,000	17,303	(12,697)
Sale of Mat'l Equip	70,000	70,000	102,875	32,875
Main Pipe Assessments	80,000	80,000	71,142	(8,858)
Short Term Bill Jobs	75,000	75,000	73,624	(1,376)
Long Term Bill Jobs	350,000	350,000	118,268	(231,732)
Recreation Income	75,000	75,000	61,067	(13,933)
Collections & Liens	374,600	374,600	325,908	(48,692)
Contributed Capital Mains			8,415,534	8,415,534
CAC-Hydrant	15,000	15,000	10,140	(4,860)
CAC-High Pressure	1,000	1,000	4,723	3,723
Rental of Water Property	151,800	151,800	147,713	(4,087)
NOR Other Misc	466,000	466,000	55,035	(410,965)
Total other revenues	<u>2,088,400</u>	<u>2,088,400</u>	<u>10,322,270</u>	<u>8,233,870</u>
Interest	<u>46,400</u>	<u>46,400</u>	<u>201,900</u>	<u>155,500</u>
Total nonoperating revenues	<u>2,134,800</u>	<u>2,134,800</u>	<u>10,524,170</u>	<u>8,389,370</u>
Total revenues	<u>83,543,200</u>	<u>83,543,200</u>	<u>92,653,311</u>	<u>9,110,111</u>

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL - BUDGETARY BASIS - WATER UTILITY FUND (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenses:				
General government:				
District Board	\$ 155,700	\$ 142,000	\$ 129,173	\$ 12,827
Executive Office	344,900	352,599	353,010	(411)
Administrative Services	114,500	99,400	77,076	22,324
Legal	1,019,700	1,084,400	1,081,449	2,951
Human Resources	757,700	824,500	759,910	64,590
Information Systems	4,365,400	4,286,800	4,275,658	11,142
Finance	2,069,200	1,997,730	1,969,012	28,718
Total general government	<u>8,827,100</u>	<u>8,787,429</u>	<u>8,645,288</u>	<u>142,141</u>
Engineering & Planning	<u>640,200</u>	<u>585,400</u>	<u>515,011</u>	<u>70,389</u>
Operations:				
Command Center	2,510,000	2,490,400	2,507,017	(16,617)
Operations	7,661,600	7,346,700	7,346,700	-
Environmental Health and Safety	488,600	460,300	439,670	20,630
Customer Service	795,000	849,170	849,376	(206)
Operating Office	365,200	317,800	307,994	9,806
Total operations	<u>11,820,400</u>	<u>11,464,370</u>	<u>11,450,757</u>	<u>13,613</u>
Plants and maintenance:				
Water treatment and supply	9,023,000	9,022,559	8,106,088	916,471
Laboratory services	885,400	824,600	820,519	4,081
Maintenance	5,695,300	5,404,700	5,324,466	80,234
Patrol	1,712,600	1,712,600	1,572,264	140,336
Riverfront park system	609,000	1,209,500	1,208,200	1,300
Total plant and maintenance	<u>17,925,300</u>	<u>18,173,959</u>	<u>17,031,537</u>	<u>1,142,422</u>

**THE METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - WATER UTILITY FUND (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Employee benefits and other:				
Employee benefits	\$ 10,342,800	\$ 10,308,496	\$ 10,138,907	\$ 169,589
General insurance	2,893,600	2,893,660	2,774,044	119,616
Taxes and Fees	3,110,000	3,345,000	3,333,625	11,375
Special agreements and programs	1,954,300	2,852,886	2,025,703	827,183
Total employee benefits and other	<u>18,300,700</u>	<u>19,400,042</u>	<u>18,272,279</u>	<u>1,127,763</u>
Debt Service				
Principal	15,655,200	14,485,408	14,399,967	85,441
Interest	10,374,300	10,646,592	9,963,285	683,307
Total Debt Service	<u>26,029,500</u>	<u>25,132,000</u>	<u>24,363,252</u>	<u>768,748</u>
Total expenses	<u>83,543,200</u>	<u>83,543,200</u>	<u>80,278,124</u>	<u>3,265,076</u>
Net Change in Net Position	\$ <u>-</u>	\$ <u>-</u>	12,375,187	\$ <u>12,375,187</u>

Budgetary expenses are different than GAAP expenses because:

Depreciation expenses are not recorded for budgetary basis, but are for GAAP	(17,755,572)
The District does not budget for loss on disposal of assets	(1,504,568)
The District budgets for debt service principal payments	14,399,967
The District does not budget for bond premiums	1,100,222
The District does not budget for allowance adjustments	(103,322)
The District does not budget for year end expense accruals	(261,165)
The District does not budget for compensated absences	(994,942)
The District does not budget for changes in employee benefit liabilities	(7,172,815)
The District does not budget for capital project revenue and expenses	<u>14,499,108</u>
Net Change in Net Position as Reported on the Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	\$ <u>14,582,100</u>

**THE METROPOLITAN DISTRICT  
COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION AND  
OTHER EMPLOYEE BENEFIT TRUST FUNDS  
DECEMBER 31, 2017**

	<u>Pension</u> <u>Trust Fund</u>	<u>OPEB</u> <u>Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 193,548	\$ 613,202	\$ 806,750
Accounts receivable	183,524	49,805	233,329
Investments, at fair value:			
Private equity	245,292		245,292
Guaranteed investment contracts	21,416,465		21,416,465
Land	12,500,000		12,500,000
Commingled collective funds	164,310,983		164,310,983
Real estate	21,070,840		21,070,840
Total assets	<u>219,920,652</u>	<u>663,007</u>	<u>220,583,659</u>
<b>LIABILITIES</b>			
Retiree expense reimbursement payable		<u>1,188,559</u>	<u>1,188,559</u>
<b>NET POSITION</b>			
Restricted for Pension and OPEB Benefits	<u>\$ 219,920,652</u>	<u>\$ (525,552)</u>	<u>\$ 219,395,100</u>

**THE METROPOLITAN DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION AND  
 OTHER EMPLOYEE BENEFIT TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 6,300,000	\$ 5,000,000	\$ 11,300,000
Plan members	2,343,416	804,712	3,148,128
Reimbursements	451,135	451,135	451,135
Total contributions	<u>8,643,416</u>	<u>6,255,847</u>	<u>14,899,263</u>
Investment earnings:			
Net change in fair value of investments	24,936,432		24,936,432
Interest and dividends	12,780,343		12,780,343
Total investment earnings	<u>37,716,775</u>	-	<u>37,716,775</u>
Less investment expenses:			
Investment management fees	1,036,893		1,036,893
Net investment earnings	<u>36,679,882</u>	-	<u>36,679,882</u>
Total additions	<u>45,323,298</u>	<u>6,255,847</u>	<u>51,579,145</u>
Deductions:			
Benefits	17,299,291	6,595,450	23,894,741
Administrative expense	119,313		119,313
Total deductions	<u>17,418,604</u>	<u>6,595,450</u>	<u>24,014,054</u>
Change in Net Position	<u>27,904,694</u>	<u>(339,603)</u>	<u>27,565,091</u>
Special item - Mid-Connecticut Settlement	(9,271,439)	(26,346,000)	(35,617,439)
Net Position at Beginning of Year	<u>201,287,397</u>	<u>26,160,051</u>	<u>227,447,448</u>
Net Position at End of Year	<u>\$ 219,920,652</u>	<u>\$ (525,552)</u>	<u>\$ 219,395,100</u>

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	80-83
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	84
This schedule contains information to help the reader assess the District's most significant local revenue source, taxation of member municipalities.	
Debt Capacity	85-87
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	88
This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	89-91
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

**THE METROPOLITAN DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN YEARS  
(Accrual Basis of Accounting)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities:										
Net investment in capital assets	\$ 628,338,124	\$ 586,568,408	\$ 484,901,567	\$ 455,295,358	\$ 404,221,698	\$ 376,209,555	\$ 357,567,083	\$ 341,313,990	\$ 310,716,811	\$ 339,628,992
Restricted				56,291,586	45,369,836	18,025,247		8,806,526		
Unrestricted	<u>73,773,835</u>	<u>79,129,891</u>	<u>97,312,929</u>	<u>32,965,610</u>	<u>41,240,029</u>	<u>44,461,431</u>	<u>47,256,621</u>	<u>10,697,400</u>	<u>42,617,412</u>	<u>11,577,347</u>
Total Governmental Activities Net Position	<u>\$ 702,111,959</u>	<u>\$ 665,698,299</u>	<u>\$ 582,214,496</u>	<u>\$ 544,552,554</u>	<u>\$ 490,831,563</u>	<u>\$ 438,696,233</u>	<u>\$ 404,823,704</u>	<u>\$ 360,817,916</u>	<u>\$ 353,334,223</u>	<u>\$ 351,206,339</u>
Business-Type Activities:										
Net investment in capital assets	\$ 282,355,400	\$ 262,043,055	\$ 267,745,071	\$ 256,080,877	\$ 255,929,765	\$ 258,683,886	\$ 251,051,504	\$ 237,803,287	\$ 232,648,584	\$ 121,705,641
Restricted				114,520	3,335,436	282,217		13,152,273		
Unrestricted	<u>(12,218,656)</u>	<u>(37,981,423)</u>	<u>(17,023,254)</u>	<u>(31,124,873)</u>	<u>(13,801,825)</u>	<u>14,004,932</u>	<u>21,695,117</u>	<u>1,672,390</u>	<u>19,096,222</u>	<u>132,175,390</u>
Total Business-Type Activities Net Position	<u>\$ 270,136,744</u>	<u>\$ 224,061,632</u>	<u>\$ 250,721,817</u>	<u>\$ 225,070,524</u>	<u>\$ 245,463,376</u>	<u>\$ 272,971,035</u>	<u>\$ 272,746,621</u>	<u>\$ 252,627,950</u>	<u>\$ 251,744,806</u>	<u>\$ 253,881,031</u>
Primary Government:										
Net investment in capital assets	\$ 910,693,524	\$ 848,611,463	\$ 752,646,638	\$ 711,376,235	\$ 660,151,463	\$ 634,893,441	\$ 608,618,587	\$ 579,117,277	\$ 543,365,395	\$ 461,334,633
Restricted				56,406,106	48,705,272	18,307,464		21,958,799		
Unrestricted	<u>61,555,179</u>	<u>41,148,468</u>	<u>80,289,675</u>	<u>1,840,737</u>	<u>27,438,204</u>	<u>58,466,363</u>	<u>68,951,738</u>	<u>12,369,790</u>	<u>61,713,634</u>	<u>143,752,737</u>
Total Primary Government Net Position	<u>\$ 972,248,703</u>	<u>\$ 889,759,931</u>	<u>\$ 832,936,313</u>	<u>\$ 769,623,078</u>	<u>\$ 736,294,939</u>	<u>\$ 711,667,268</u>	<u>\$ 677,570,325</u>	<u>\$ 613,445,866</u>	<u>\$ 605,079,029</u>	<u>\$ 605,087,370</u>



TABLE 2

**THE METROPOLITAN DISTRICT  
CHANGES IN NET POSITION  
LAST TEN YEARS  
(Accrual Basis of Accounting)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 12,782,032	\$ 13,683,241	\$ 12,337,881	\$ 12,784,187	\$ 9,524,064	\$ 8,866,521	\$ 10,129,598	\$ 16,761,948	\$ 15,293,399	\$ 5,516,662
Engineering and planning				877,678	486,626	255,872	1,586,506	3,679,780	2,242,238	1,798,273
Operations	15,004,934	25,441,446	6,151,830	8,614,482	5,439,460	6,622,431	6,412,930	11,384,916	10,659,623	6,793,093
Plants and maintenance	43,573,609	46,577,522	29,189,681	34,067,360	30,341,543	32,894,344	26,362,389	35,074,547	27,085,660	23,569,236
Water treatment and supply										
Interest on long-term debt	26,066,412	24,217,631	19,489,920	16,263,466	13,271,555	7,936,484	7,608,354	5,515,611	4,615,043	3,810,761
Total governmental activities expenses	97,426,987	109,919,840	67,169,312	72,607,173	59,063,248	56,575,652	52,099,777	72,416,802	59,895,963	41,488,025
<b>Business-type activities:</b>										
Water	91,573,513	84,025,204	84,404,787	79,597,522	68,713,237	63,719,227	56,895,453	71,314,711	70,626,419	63,281,267
Hydroelectricity	702,704	827,100	479,326	394,359	345,431	402,924	321,966	363,741	447,432	375,156
Mid-Connecticut Project		1,793,246	761,311	2,166,557	6,091,844	11,400,744	27,696,462	21,526,912	17,978,766	15,726,127
Total business-type activities expenses	92,276,217	86,645,550	85,645,424	82,158,438	75,150,512	75,522,895	84,913,881	93,205,364	89,052,617	79,382,550
<b>Total Primary Government Expenses</b>	<b>\$ 189,703,204</b>	<b>\$ 196,565,390</b>	<b>\$ 152,814,736</b>	<b>\$ 154,765,611</b>	<b>\$ 134,213,760</b>	<b>\$ 132,098,547</b>	<b>\$ 137,013,658</b>	<b>\$ 165,622,166</b>	<b>\$ 148,948,580</b>	<b>\$ 120,870,575</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
Charges for services	\$ 72,013,708	\$ 70,629,736	\$ 61,592,665	\$ 63,885,662	\$ 47,300,004	\$ 41,434,212	\$ 40,448,907	\$ 34,784,065	\$ 25,750,098	\$ 21,913,460
Operating grants and contributions			3,992,310	1,039,223					27,047	12,459
Capital grants and contributions	64,775,491	51,301,142	32,768,216	26,927,807	26,506,324	12,949,510	20,498,331	16,547,463	11,823,989	12,150,267
Total governmental activities program revenues	136,789,199	121,930,878	98,353,191	91,852,692	73,806,328	54,383,722	60,947,238	51,331,528	37,601,134	34,076,186
<b>Business-type activities:</b>										
Charges for services	82,836,604	75,606,571	74,198,011	77,748,234	79,971,496	74,412,896	105,116,289	82,834,995	72,422,874	75,483,102
Capital grants and contributions	20,596,616	12,285,315	4,827,274	5,227,745	5,145,634	2,546,093	1,557,615	7,126,212	5,514,475	5,211,841
Total business-type activities program revenues	103,433,220	87,891,886	79,025,285	82,975,979	85,117,130	76,958,989	106,673,904	89,961,207	77,937,349	80,694,943
<b>Total Primary Government Program Revenues</b>	<b>\$ 240,222,419</b>	<b>\$ 121,930,878</b>	<b>\$ 177,378,476</b>	<b>\$ 174,828,671</b>	<b>\$ 158,923,458</b>	<b>\$ 131,342,711</b>	<b>\$ 167,621,142</b>	<b>\$ 141,292,735</b>	<b>\$ 115,538,483</b>	<b>\$ 114,771,129</b>
<b>Net revenues (expenses):</b>										
Governmental activities	\$ 39,362,212	\$ 12,011,038	\$ 31,183,879	\$ 19,245,519	\$ 14,743,080	\$ (2,191,930)	\$ 8,847,461	\$ (21,085,274)	\$ (22,294,829)	\$ (7,411,839)
Business-type activities	11,157,003	1,246,336	(6,620,139)	817,541	9,966,618	1,436,094	21,760,023	(3,244,157)	(11,115,268)	1,312,393
<b>Total Primary Government Net Expense</b>	<b>\$ 50,519,215</b>	<b>\$ 13,257,374</b>	<b>\$ 24,563,740</b>	<b>\$ 20,063,060</b>	<b>\$ 24,709,698</b>	<b>\$ (755,836)</b>	<b>\$ 30,607,484</b>	<b>\$ (24,329,431)</b>	<b>\$ (34,767,773)</b>	<b>\$ (6,099,446)</b>
<b>General revenues and other changes in net position:</b>										
<b>Governmental activities:</b>										
Sewer taxation - member municipalities	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200	\$ 32,360,500	\$ 30,967,000	\$ 30,967,000	\$ 32,670,177
Miscellaneous	2,813,918	1,864,076	116,577	1,540,335	54,771	8,337				
Unrestricted investment earnings	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854	323,425	363,110	890,911
Transfers	(17,707,978)									
Special item	(31,414,007)	28,760,431		1,556,735	2,144,402	2,317,653	2,518,973	(2,721,458)	(6,907,397)	2,579,293
Total governmental activities	(2,948,552)	70,155,208	37,835,338	39,461,307	37,392,250	36,064,459	35,158,327	28,568,967	24,422,713	36,140,381
<b>Business-type activities:</b>										
Miscellaneous	1,906,736	2,130,684	2,204,726	5,661,124	2,160,605	1,010,677	770,949	1,306,793	1,878,317	1,192,004
Unrestricted investment earnings	201,900	40,783	15,338	138,537	110,747	95,296	106,672	99,050	193,329	491,296
Transfers		(28,760,431)		(1,556,735)	(2,144,402)	(2,317,653)	(2,518,973)	2,721,458	6,907,397	(2,579,293)
Special item	32,809,473									
Total business-type activities	34,918,109	(26,588,964)	2,220,064	4,242,926	126,950	(1,211,680)	(1,641,352)	4,127,301	8,979,043	(895,993)
<b>Total Primary Government</b>	<b>\$ 31,969,557</b>	<b>\$ 43,566,244</b>	<b>\$ 40,055,402</b>	<b>\$ 43,704,233</b>	<b>\$ 37,519,200</b>	<b>\$ 34,852,779</b>	<b>\$ 33,516,975</b>	<b>\$ 32,696,268</b>	<b>\$ 33,401,756</b>	<b>\$ 35,244,388</b>
<b>Change in net position:</b>										
Governmental activities	\$ 36,413,660	\$ 82,166,246	\$ 69,019,217	\$ 58,706,826	\$ 52,135,330	\$ 33,872,529	\$ 44,005,788	\$ 7,483,693	\$ 2,127,884	\$ 28,728,542
Business-type activities	46,075,112	(25,342,628)	(4,400,075)	5,060,467	10,093,568	224,414	20,118,671	883,144	(2,136,225)	416,400
<b>Total Primary Government</b>	<b>\$ 82,488,772</b>	<b>\$ 56,823,618</b>	<b>\$ 64,619,142</b>	<b>\$ 63,767,293</b>	<b>\$ 62,228,898</b>	<b>\$ 34,096,943</b>	<b>\$ 64,124,459</b>	<b>\$ 8,366,837</b>	<b>\$ (8,341)</b>	<b>\$ 29,144,942</b>

TABLE 3

**THE METROPOLITAN DISTRICT  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 3,353,277	\$ 3,464,034	\$ 3,273,412
Unreserved								11,510,930	12,755,389	15,126,572
Nonspendable	2,851,003	3,047,848	2,987,472	2,654,631	1,980,172	1,387,243	1,749,997			
Assigned					891,949	573,120	2,423,443			
Unassigned	<u>16,743,975</u>	<u>14,498,170</u>	<u>14,501,695</u>	<u>14,040,267</u>	<u>12,585,122</u>	<u>14,665,371</u>	<u>10,895,466</u>			
Total General Fund	<u>\$ 19,594,978</u>	<u>\$ 17,546,018</u>	<u>\$ 17,489,167</u>	<u>\$ 16,694,898</u>	<u>\$ 15,457,243</u>	<u>\$ 16,625,734</u>	<u>\$ 15,068,906</u>	<u>\$ 14,864,207</u>	<u>\$ 16,219,423</u>	<u>\$ 18,399,984</u>
All other governmental funds:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 187,105,451	\$ 99,584,027	\$ 102,385,771
Unreserved, reported in:										
Capital projects funds								(175,377,657)	(137,631,418)	(117,059,121)
Undesignated fund balance										
Nonspendable	53,957	183,283	319,960	17,034	19,951	42,748	3,193			
Restricted	120,176,898	129,078,070	155,110,707	149,816,144	20,450,646	79,566,079	59,080,014			
Committed	76,741,076	50,808,229	2,637,663	3,310,650	3,141,343	10,286,298	8,309,465			
Unassigned	<u>(130,243,360)</u>	<u>(76,526,304)</u>	<u>(102,328,055) *</u>	<u>(114,364,898)</u>	<u>(101,036,586)</u>	<u>(227,346,425)</u>	<u>(108,722,305)</u>			
Total All Other Governmental Funds	<u>\$ 66,728,571</u>	<u>\$ 103,543,278</u>	<u>\$ 55,740,275</u>	<u>\$ 38,778,930</u>	<u>\$ (77,424,646)</u>	<u>\$ (137,451,300)</u>	<u>\$ (41,329,633)</u>	<u>\$ 11,727,794</u>	<u>\$ (38,047,391)</u>	<u>\$ (14,673,350)</u>

\* Restated in current year

The District implemented GASB No. 54 in fiscal year 2011, which changed the District's method of reporting governmental fund balance.

**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS  
LAST TEN YEARS  
(Modified Accrual Basis of Accounting)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>										
Taxation - member municipalities	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200	\$ 32,360,500	\$ 30,967,000	\$ 30,967,000	\$ 32,670,177
Assessments	1,519,217	2,312,965	1,332,938	1,603,914	1,085,603	504,330	715,456	984,133	1,131,637	1,387,523
Sewer user fees	62,678,046	60,242,461	54,093,916	57,226,390	43,062,080	35,225,903	28,120,415	22,811,162	16,185,424	10,837,597
Intergovernmental revenues	69,199,739	55,232,126	39,706,369	29,610,377	26,439,377	16,312,586	26,571,263	22,343,556	17,420,010	16,588,057
Investment income	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854	323,311	363,110	890,911
Other local revenues	6,063,916	4,022,343	2,473,789	4,051,117	1,807,930	2,254,580	5,704,035	4,597,069	1,878,382	2,967,692
Total revenues	<u>182,820,433</u>	<u>161,340,596</u>	<u>135,325,773</u>	<u>128,856,035</u>	<u>107,588,067</u>	<u>88,035,868</u>	<u>93,750,523</u>	<u>82,026,231</u>	<u>67,945,563</u>	<u>65,341,957</u>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	3,436,145	3,918,725	5,471,054	4,824,078	4,071,317	4,114,155	7,463,935	8,074,234	10,105,415	4,902,564
Engineering and planning				247,304	36,396	118,517	1,124,966	1,781,538	1,401,698	1,481,110
Operations	2,313,810	6,343,886	1,447,931	1,432,213	1,802,090	1,679,661	3,281,022	3,307,062	3,446,176	2,827,880
Plants and maintenance	20,148,645	17,673,827	17,002,752	16,780,068	19,078,105	21,555,352	20,001,916	21,805,352	18,243,576	20,922,437
Employee benefits and other	10,881,861	11,034,670	7,196,385	8,900,673	8,435,751	8,183,275	8,388,095	7,443,301	5,323,916	6,889,633
<b>Debt service:</b>										
Principal retirement	36,642,960	32,141,853	28,706,882	22,808,465	19,193,477	13,865,151	12,675,029	9,794,024	28,034,682	49,007,742
Interest	28,182,268	25,398,643	22,011,825	15,323,178	11,792,099	8,025,733	7,830,669	3,924,785	4,381,890	3,811,487
Refunding bond issuance costs										
Capital outlay	243,634,827	228,529,877	160,991,417	172,024,423	163,835,773	157,029,034	131,973,877	118,885,296	67,160,895	35,560,980
Total expenditures	<u>345,240,516</u>	<u>325,041,481</u>	<u>242,828,246</u>	<u>242,340,402</u>	<u>228,245,008</u>	<u>214,570,878</u>	<u>192,739,509</u>	<u>175,015,592</u>	<u>138,098,248</u>	<u>125,403,833</u>
Deficiency of revenues over expenditures	<u>(162,420,083)</u>	<u>(163,700,885)</u>	<u>(107,502,473)</u>	<u>(113,484,367)</u>	<u>(120,656,941)</u>	<u>(126,535,010)</u>	<u>(98,988,986)</u>	<u>(92,989,361)</u>	<u>(70,152,685)</u>	<u>(60,061,876)</u>
<b>Other financing sources (uses):</b>										
Bond proceeds		85,331,650	39,070,781	167,578,000	126,838,000			102,485,491		35,885,000
Refunding bond proceeds		18,301,300		9,931,648				10,660,856		
Payment to refunded bond escrow agent		(21,140,765)		(10,757,266)				(11,887,289)		
Loan obligation proceeds	127,654,336	91,409,817	66,766,625	36,841,772	40,364,999	29,162,137	43,228,154	33,315,254	39,050,838	31,592,415
Bond premium		5,933,457	3,352,904	24,934,481	9,952,391			3,092,978		
Premium on refunding bonds		2,964,849		840,228				1,350,507		
Transfers in	62,444,100	80,984,336	52,502,525	36,915,679	46,793,697	36,778,838	30,834,857	22,091,689	41,625,512	56,153,928
Transfers out	(62,444,100)	(52,223,905)	(52,502,525)	(35,358,944)	(44,433,983)	(33,970,804)	(27,936,753)	(19,700,156)	(36,078,267)	(53,574,635)
Total other financing sources	<u>127,654,336</u>	<u>211,560,739</u>	<u>109,190,310</u>	<u>230,925,598</u>	<u>179,515,104</u>	<u>31,970,171</u>	<u>46,126,258</u>	<u>141,409,330</u>	<u>44,598,083</u>	<u>70,056,708</u>
Net change in fund balances	(34,765,747)	47,859,854	1,687,837	117,441,231	58,858,163	(94,564,839)	(52,862,728)	48,419,969	(25,554,602)	9,994,832
Fund balance at beginning of year	121,089,296	73,229,442	71,541,605 *	(61,697,403)	(120,825,566)	(26,260,727)	26,592,001	(21,827,968)	3,726,634	(6,268,198)
Fund Balance at End of Year	<u>\$ 86,323,549</u>	<u>\$ 121,089,296</u>	<u>\$ 73,229,442</u>	<u>\$ 55,743,828</u>	<u>\$ (61,967,403)</u>	<u>\$ (120,825,566)</u>	<u>\$ (26,270,727)</u>	<u>\$ 26,592,001</u>	<u>\$ (21,827,968)</u>	<u>\$ 3,726,634</u>
<b>Debt Service as a Percentage to Noncapital Expenditures</b>										
	53.78%	49.22%	63.02%	50.10%	50.95%	36.69%	32.58%	21.79%	37.41%	66.78%
Total Debt Service	\$ 64,825,228	\$ 57,540,496	\$ 50,718,707	\$ 38,131,643	\$ 30,985,576	\$ 21,890,884	\$ 20,505,698	\$ 13,718,809	\$ 32,416,572	\$ 52,819,229
Capitalized capital outlay	(224,712,443)	(208,127,036)	(162,349,655)	(166,226,160)	(167,432,856)	(153,268,996)	(133,071,304)	(112,066,626)	(51,446,406)	(46,313,950)
Noncapital expenditures	120,528,073	116,914,445	80,478,591	76,114,242	60,812,152	59,668,205	62,948,966	62,948,966	86,651,842	79,089,883

**THE METROPOLITAN DISTRICT  
DISTRIBUTION OF ANNUAL TAX LEVY  
LAST TEN FISCAL YEARS**

Year	East		Newington	Wethersfield	Windsor	Bloomfield	Rocky Hill	West		Total Tax Levy
	Hartford	Hartford						Hartford	Hartford	
2017	26.31 %	12.14 %	9.01 %	8.18 %	8.78 %	7.36 %	5.94 %	22.28 %		
	\$ 10,963,200	\$ 5,059,400	\$ 3,752,900	\$ 3,408,200	\$ 3,656,900	\$ 3,067,100	\$ 2,475,800	\$ 9,286,900	\$	41,670,400
2016	26.13	12.23	9.01	8.24	8.74	7.54	5.75	22.36		
	10,174,900	4,762,000	3,508,400	3,207,700	3,404,700	2,936,000	2,239,700	8,710,900		38,944,300
2015	27.50	11.99	8.78	8.07	8.61	7.35	5.75	21.95		
	10,298,600	4,490,100	3,287,300	3,022,000	3,222,600	2,752,400	2,153,700	8,219,700		37,446,400
2014	28.69	11.65	8.66	7.81	8.61	7.23	5.78	21.57		
	10,374,400	4,213,200	3,132,300	2,824,400	3,111,900	2,612,500	2,089,100	7,798,800		36,156,600
2013	28.61	11.39	8.66	7.92	8.70	7.43	5.78	21.51		
	9,955,500	3,964,500	3,014,900	2,756,900	3,026,500	2,584,900	2,011,100	7,485,100		34,799,400
2012	28.28	11.51	8.62	8.01	8.83	7.43	5.80	21.52		
	9,472,000	3,856,000	2,888,200	2,682,500	2,956,200	2,488,900	1,941,700	7,207,700		33,493,200
2011	27.96	11.65	8.64	8.10	8.94	7.41	5.78	21.52		
	9,046,600	3,769,700	2,794,700	2,619,900	2,893,400	2,399,000	1,869,100	6,968,100		32,360,500
2010	27.82	12.13	8.49	8.11	8.93	7.33	5.71	21.48		
	8,614,800	3,757,200	2,628,400	2,510,900	2,766,400	2,268,900	1,769,500	6,650,900		30,967,000
2009	27.61	12.53	8.49	8.05	8.90	7.35	5.62	21.45		
	8,548,800	3,880,800	2,628,500	2,493,500	2,757,000	2,276,400	1,740,000	6,642,000		30,967,000
2008	27.48	13.10	8.37	7.89	8.90	7.25	5.57	21.44		
	8,977,292	4,279,675	2,736,475	2,578,602	2,906,641	2,368,120	1,818,790	7,004,582		32,670,177

Source: Tax warrants served on member towns.

TABLE 6

**THE METROPOLITAN DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Year	Governmental Activities				Business-Type Activities			Total Outstanding Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Clean Water Fund Loans	Revenue Bonds	Premiums	General Obligation Bonds	Drinking Water Fund Loans	Premiums			
2017	\$ 267,601,331	\$ 456,402,106	\$ 213,050,000	\$ 44,213,815	\$ 211,468,661	\$ 53,391,540	\$ 17,889,117	\$ 1,264,016,570	10.17%	\$ 3,088
2016	280,392,899	348,839,161	216,810,000	46,665,336	222,847,089	52,742,532	19,159,532	1,187,456,549	9.80%	3,009
2015	208,159,425	274,299,755	220,490,000	39,827,550	179,515,564	40,354,348	11,533,978	974,180,620	8.83%	2,658
2014	226,563,565	222,701,991	224,000,000	38,318,840	120,661,852	28,789,597	6,391,577	867,427,422	8.01%	2,367
2013	184,968,258	197,977,858	85,000,000	14,047,043	103,271,314	20,602,949	3,487,545	609,354,967	5.68%	1,665
2012	149,882,258	168,874,722		4,661,334	85,226,038	6,671,780	2,673,082	417,989,214	3.94%	1,141
2011	156,274,915	145,865,280		4,963,303	90,204,432	7,099,177	2,822,048	407,229,155	3.94%	1,113
2010	164,135,447	107,390,105		5,265,272	95,192,638	7,643,837	2,971,010	382,598,309	4.05%	1,070
2009	65,769,440	78,706,869		1,011,652	58,974,909	5,821,724	497,453	210,782,047	2.28%	587
2008	74,691,338	62,317,514		1,080,689	59,395,968	5,125,632	531,062	203,142,203	2.19%	566

**THE METROPOLITAN DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit	\$ 1,260,243,294	\$ 1,260,243,294	\$ 1,211,556,756	\$ 1,196,077,656	\$ 1,189,228,048	\$ 1,219,419,892	\$ 1,201,875,400	\$ 1,178,347,055	\$ 1,154,369,393	\$ 1,105,210,831
Total net debt applicable to limit	<u>946,055,253</u>	<u>946,055,253</u>	<u>721,360,548</u>	<u>508,198,906</u>	<u>587,681,341</u>	<u>560,433,771</u>	<u>436,356,760</u>	<u>244,650,935</u>	<u>205,972,050</u>	<u>138,286,198</u>
Legal Debt Margin	<u>\$ 314,188,041</u>	<u>\$ 314,188,041</u>	<u>\$ 490,196,208</u>	<u>\$ 687,878,750</u>	<u>\$ 601,546,707</u>	<u>\$ 658,986,121</u>	<u>\$ 765,518,640</u>	<u>\$ 933,696,120</u>	<u>\$ 948,397,343</u>	<u>\$ 966,924,633</u>
Total net debt applicable to the limit as a percentage of debt limit	75.07%	75.07%	59.54%	42.49%	49.42%	45.96%	36.31%	20.76%	17.84%	12.51%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the District exceed 5% of the combined grand list of District member municipalities. The calculation of the 2017 debt limit can be found on Table 8 of this report.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF DEBT LIMITATION AND LEGAL DEBT MARGIN  
DECEMBER 31, 2017**

Schedule of Debt Limitation

Combined 2017 Grand List of Member Municipalities of the District		\$ <u>25,204,865,874</u>
Debt Limit, 5% thereof		\$ 1,260,243,294
Total Outstanding Debt, December 31, 2017:		
Water General Obligation Bonds	\$ 152,237,449	
DWSRF Project Loan Obligations	48,554,113	
Sewer General Obligation Bonds	151,122,925	
CWF Project Loan Obligations	25,333,790	
Clean Water Project General Obligation Bonds (B)	59,570,000	
Clean Water Project Revenue Bonds (B)	213,050,000	
Clean Water Project CWF Project Loan Obligations (B)	297,316,070	
Combined General Obligation Bonds	<u>116,139,618</u>	
Total Direct-Long-Term Indebtedness	<u>1,063,323,965</u>	
Notes due 8/1/2018 (C)	120,000,000	
DWSRF Interim Funding Obligation	6,207,438	
CWF Interim Funding Obligation (B)	<u>282,754,662</u>	
Total Direct Short-Term Indebtedness	<u>408,962,100</u>	
Total Direct Indebtedness	<u>1,472,286,065</u>	
Less Outstanding Debt Not Subject to Debt Limitation:		
Water Bonds (A)	152,237,449	
DWSRF Project Loan Obligations	48,554,113	
DWSRF Interim Funding Obligations	6,207,438	
Clean Water Project Revenue Bonds (B)	213,050,000	
Water's Share of Combined General Obligation Bonds	59,231,212	
Water's Share of Outstanding Water Notes	<u>46,950,600</u>	
Total Outstanding Debt Not Subject to Debt Limitation	<u>526,230,812</u>	
Total Debt Subject to Debt Limitation		<u>946,055,253</u>
Excess of Charter Debt Limitation Over Outstanding Debt		<u>\$ 314,188,041</u>

(A) The District's Charter does not limit its borrowing capacity for water purposes, but limits its capacity for nonwater purposes to 5% of the combined grand lists of its member municipalities. The nature of this limitation requires the aggregation of obligations which normally appear in separate account groups.

(B) It is expected that these obligations issued pursuant to authorizations totaling \$1.6 billion for the District's Clean Water Project will be supported by a Special Sewer Service Surcharge levied annually and added to customers' water bills.

(C) In the above schedule, Interim Funding Obligations are considered short-term indebtedness. For GAAP purposes, these are included as long-term indebtedness.

**THE METROPOLITAN DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2017	364,393	\$ 11,070,762,172	\$ 30,381	38.3	52,921	4.6%
2016	365,289	11,143,038,584	30,505	38.2	55,234	4.6%
2015	366,470	11,026,722,853	30,089	38.1	53,358	5.9%
2014	366,406	10,835,873,742	29,573	38.0	53,860	7.0%
2013	366,019	10,731,053,662	29,318	38.0	53,899	8.3%
2012	366,257	10,598,647,554	28,938	38.1	54,782	9.6%
2011	365,806	10,347,099,579	28,286	37.9	54,914	9.4%
2010	357,481	9,443,285,928	26,416	37.5	56,909	10.9%
2009	359,148	9,248,390,122	25,751	37.4	56,748	10.5%
2008	359,133	9,258,782,409	25,781	37.4	57,206	7.9%

## Sources:

Town CAFRs

Department of Labor

Any information not contained in CAFRs was taken from the 2000 or 2010 Census



TABLE 10

**THE METROPOLITAN DISTRICT  
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Officials/administrators	32	34	32	33	31	34	34	40	40	40
Other administrative	30	32	33	35	34	36	39	44	45	56
Professional/technical	166	170	174	172	167	172	186	210	206	151
Protective service	8	8	8	9	9	9	15	9	9	9
Skilled craft, service/maintenance	<u>246</u>	<u>265</u>	<u>275</u>	<u>275</u>	<u>278</u>	<u>289</u>	<u>315</u>	<u>354</u>	<u>360</u>	<u>375</u>
Total	<u>482</u>	<u>509</u>	<u>522</u>	<u>524</u>	<u>519</u>	<u>540</u>	<u>589</u>	<u>657</u>	<u>660</u>	<u>631</u>

Notes: A full-time employee is scheduled to work 1,950 or 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 1,950 or 2,080.

Source: MDC SAP Report as compared to budget report

TABLE 11

**THE METROPOLITAN DISTRICT  
WATER OPERATING INDICATORS BY FUNCTION/PROGRAM AND CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN YEARS**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<u>Water Operations</u>										
Miles of water mains added	0.77	1.56	2.10	5.58	2.00	1.00	(2.00)	2.61	3.00	2.33
Total miles of water mains	1,554	1,553	1,551	1,549	1,543	1,541	1,540	1,542	1,539	1,536
Water connections made	101,836	101,599	101,446	101,217	102,669	102,449	102,324	102,034	101,678	101,124
Average daily consumption (millions of gallons)	47.4	39.7	40.07	42.02	40.25	42.27	41.95	44.18	42.1	44.64
Maximum consumption (millions of gallons daily)	61.7	71.94	70.09	69.59	71.84	74.68	87.06	88.65	70.87	75.22
Minimum consumption (millions of gallons daily)	39.2	39.9	37.57	38.46	35.85	35.19	42.69	40.1	41.97	44.23
Number of hydrants	10,329	10,197	11,238	11,484	11,238	11,178	11,146	9,162	9,029	8,915
Number of meters	98,239	102,987	101,400	102,828	103,340	103,125	102,895	102,807	100,378	100,022
Plant capacity (millions of gallons)	126	126	126	126	126	126	105	105	105	105

Source: MDC Budgets

TABLE 12

**THE METROPOLITAN DISTRICT  
SEWER OPERATING INDICATORS BY FUNCTION/PROGRAM AND CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Sewer Operations</u>										
Miles of sewer mains added	(0.34)	1.57	2.89	2.80	3.37	2.29	(0.22)	0.57	3.06	2.11
Total miles of sanitary sewers	1,088.23	1,088.57	1,087.47	1,084.04	1,081.24	1,077.87	1,075.58	1,076.15	1,075.58	1,073.34
Miles of combined sewers	159	159	159	160	160	160	160	160	160	160
Miles of storm sewers	78	79	79	76	76	73	72	72	72	71
Sewer connections made	91,011	90,728	90,566	90,666	90,220	90,035	89,969	89,866	113,901	113,077
Average daily flow (millions of gallons)	62.38	56.71	67.50	64.83	65.88	58.77	60.00	64.40	73.78	78.35
Estimated sewer connections	91,011	90,728	90,566	90,666	90,220	90,035	89,969	89,866	113,901	113,077
Plant capacity (millions of gallons)	105	105	105	105	105	105	105	105	105	105
<u>Mid-Connecticut Project</u>										
Tons of municipal solid waste processed/year	0	0	0	0	0	0	806,259	792,562	798,406	766,786
Average tons processed/week	0	0	0	0	0	0	15,505	15,242	15,354	14,746

Source: MDC Budgets