

THE METROPOLITAN DISTRICT

**Hartford County
Hartford, Connecticut**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Year Ended December 31, 2019

**THE METROPOLITAN
DISTRICT**

**Hartford County
Hartford, Connecticut**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended December 31, 2019

Finance Department

**THE METROPOLITAN DISTRICT
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DECEMBER 31, 2019**

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INTRODUCTORY SECTION



The Metropolitan District
water supply · environmental services · geographic information

June 25, 2020

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

Dear Chairman DiBella, 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 as audited by a firm of licensed public accountants in accordance with auditing standards generally accepted nationally. We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of The Metropolitan District (hereafter, “the District” or “the MDC”) for fiscal year end December 31, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls 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 fiscal year end December 31, 2019. The independent accountant’s report is located in the front of the financial statement section of this report.

The MDC’s fiscal year 2019 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, in narrative form, an 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.

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 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, one each from Glastonbury, South Windsor, East Granby and Farmington. All commissioners serve without remuneration for a term of six years.

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 obligations 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 review, changes as necessary, and enactment.

Consumer Advocate

Public Act No. 17-1 established an Independent Consumer Advocate to act as an independent advocate for consumer interests in all matters which may affect District consumers, including, but not limited to, rates, water quality, water supply, and wastewater service quality. The Independent Consumer Advocate may appear and participate in District matters or any other federal or state regulatory or judicial proceeding in which consumers of the District are or may be involved. The Independent Consumer Advocate submits quarterly reports of his or her activities to the District, the chief elected official of each town receiving service from the District, and the State Consumer Counsel. Such reports are available on both the District's and the Consumer Counsel's websites.

Administration

Responsibility for the overall administration and management of District policy, operations and services rests with the Chief Executive Officer. The Chief Executive Officer has direct responsibility for the Human Resources and Communications functions and manages the remaining functions through the Chief Operating Officer (“COO”) and Chief Administrative Officer (“CAO”). The COO 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, patrol and environment, health and safety functions of the District. The CAO has responsibility for the District’s procurement, accounting, budgeting, treasury, risk management functions, information technology and customer service.

Local Economy

The Member Municipalities of the MDC are a mixture of urban and suburban communities with an aggregate population of approximately 363,000 people, and median family incomes ranging from \$36,850 to \$131,536. These diverse Member Municipalities comprise a strong and stable service area as evidenced by 9.55% growth in the combined equalized grand lists from 2012 to 2017, according to the State of Connecticut Office of Policy and Management. 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.

It is important to note the COVID-19 pandemic has had a significant adverse impact on the national and state economies. Conservatively, we can expect these impacts to continue for at least the balance of 2020. As an essential service provider, the District has taken steps to conform to guidance from the Governor’s office, including our suspension of service shut-off and charges related to late fees on delinquent accounts. Further, the District is collaborating with state and federal agencies to ensure that we follow all appropriately determined protocols. Notwithstanding this economic downturn, the District has not experienced any significant decrease in water usage or revenue, and continues to maintain uninterrupted water and wastewater services. We expect that to continue. Internally, the District has successfully modified its manner of operations to ensure the health and safety of its workforce and the public, and put itself in a position to adapt to further changes as necessary or as may be required by federal and state regulators.

Otherwise, for some time prior to the COVID-19 outbreak, the State and the Greater Hartford region had suffered from a prolonged period of economic stagnation, but more recently appear to be in the process of rebounding. The region boasts a strong financial/insurance cluster, a resurging advanced manufacturing cluster, and an emerging biotech cluster, among other economic strengths. The region is home to over a dozen colleges and universities, growing transit connectivity, a revitalized riverfront, and other amenities that are expected to support and attract the talent needed to spur and maintain economic growth within Member Towns offering diverse lifestyle options.

The region’s economic performance from 2007 to 2017 trailed the US economy, experiencing almost no post-recession growth. A recent study commissioned by the Capital Region Council of Governments (CRCOG) forecasts that economic growth will continue to lag. On the more positive side, Greater Hartford has a concentration of key, high-opportunity industries, including advanced manufacturing and aerospace, business services, finance, insurance, and biomedical device development, each of which could lead to an overall economic upturn and power regional growth.

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 74.04% of the total Ad Valorem distribution. Of those seven, two of our municipalities comprising 31.81% of the total Ad Valorem distribution carry Aaa (Moody's) or AAA (S&P) ratings.

Within the last decade, the local MDC labor market area experienced high unemployment rates, ranging from 3.8% last year to 8.8% in 2011. The 2019 average unemployment rate of 3.8% was the lowest it's been since 2001. For February, 2020, it was 4.4%, identical to the statewide average. The MDC labor market area unemployment rate has followed the same downward trend as the United States national unemployment rate since the beginning of 2010; however, the MDC labor market area unemployment rate had been approximately 25% higher than the national average prior to 2018, reflecting the area's slower recovery from the national recession.

In response to a prolonged period of fiscal distress, the City of Hartford entered into a Contract Assistance Agreement with the State of Connecticut in March 2018 whereby the State agreed to make the City's \$543 million general fund debt service payments in exchange for the City's agreement to state oversight under the Municipal Accountability Review Board (MARB), established under Public Act 17-2. The City is now required to secure approvals of the State and/or the MARB of annual budgets, debt issuances, and significant contracts, as well as submit a five year financial recovery plan. In response to the Contract Assistance Agreement and increased economic activity, the City of Hartford's underlying bond ratings have increased steadily to Ba3 (Moody's) and BB+ (S&P) with a positive outlook.

Fiscal Responsibility, Strategic Outlook and Long Term Financial Planning

Consistent with MDC's 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 its rate structure, as well as how the MDC interacts with its customers and key stakeholders.

On May 16, 2017, Public Act 17-1 was signed into law by the Governor. In addition to the MDC's 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 in paying, 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, a project mandated by EPA and DEEP to upgrade our sewer infrastructure and detailed below, 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.

The MDC maintains a positive fund balance in the general fund (37.15% of total general fund revenues). In August 2019, the District Board adopted a formal policy which seeks to maintain a general fund balance between 32 and 36 percent of total general fund 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 79.60% as of December 31, 2019. 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, 2019, the District had \$360.62 million of available borrowing capacity. The District expects 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 Initiative: Evolution of the Clean Water Project

As originally conceived in 2005, and as set forth in the MDC's initial Long Term Control Plan ("LTCP"), the Clean Water Project comprised three phases, and it was assumed to be completed in 2021, based on assumptions about, among other things, the design as originally conceived and the pace of design, construction, and regulatory review and approval. The original concept relied on sewer separation projects, control of inflow and infiltration, and capacity increases and other improvements to the District's treatment plants.

An updated LTCP was submitted to DEEP in 2012 and revised through December 2014. The revised plan deemphasized sewer separation projects, which proved expensive and disruptive in downtown areas, and added a large storage and conveyance tunnel in south Hartford (the "South Tunnel"). It also featured a large storage and conveyance tunnel to the north part of Hartford (the "North Tunnel") and connecting to the South Tunnel which was intended to both capture overflows in the northern and central part of the city and also to eliminate overflows into the North Branch of the Park River. This resubmittal as approved in 2015 set out a completion of the project by 2029.

The LTCP was most recently revised and resubmitted to Connecticut DEEP in December 2018. The resubmitted LTCP introduces the concept of an "Integrated Plan", which recognizes the District's ongoing capital maintenance program as assisting in compliance with the governmental orders and also furthers compliance with the governmental orders, with remedies such as replacing aged and damaged pipe and other system components, coupled with cleaning and other maintenance and rehabilitation activities, and increasing pipe capacity to reduce overflows.

The resubmitted LTCP sets out several compliance options, which incorporate timing and sequencing alternatives. The option preferred by the District would achieve incremental improvements in the coming years and full compliance in 2058. Other options would achieve compliance earlier, but have overlapping elements. The District has deferred designing specific elements of the compliance options until the LTCP is approved, while work continues on the South Tunnel and completion of the treatment plant expansion work. The District cannot predict when the resubmitted LTCP will be approved, or its final content.

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, 2018. This prestigious award is conferred upon 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.

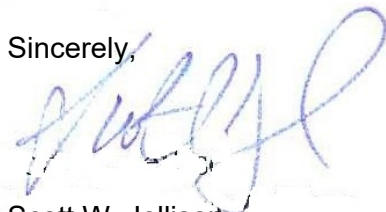
Special thanks to members of the Board of Finance and District Board for the guidance and support they provide year after year. The District's financial strength reflects their vigilance and stewardship.

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.

Conclusion

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.

Sincerely,



Scott W. Jellison
Chief Executive Officer



Christopher P. Martin
Director of Finance / Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**The Metropolitan District
Connecticut**

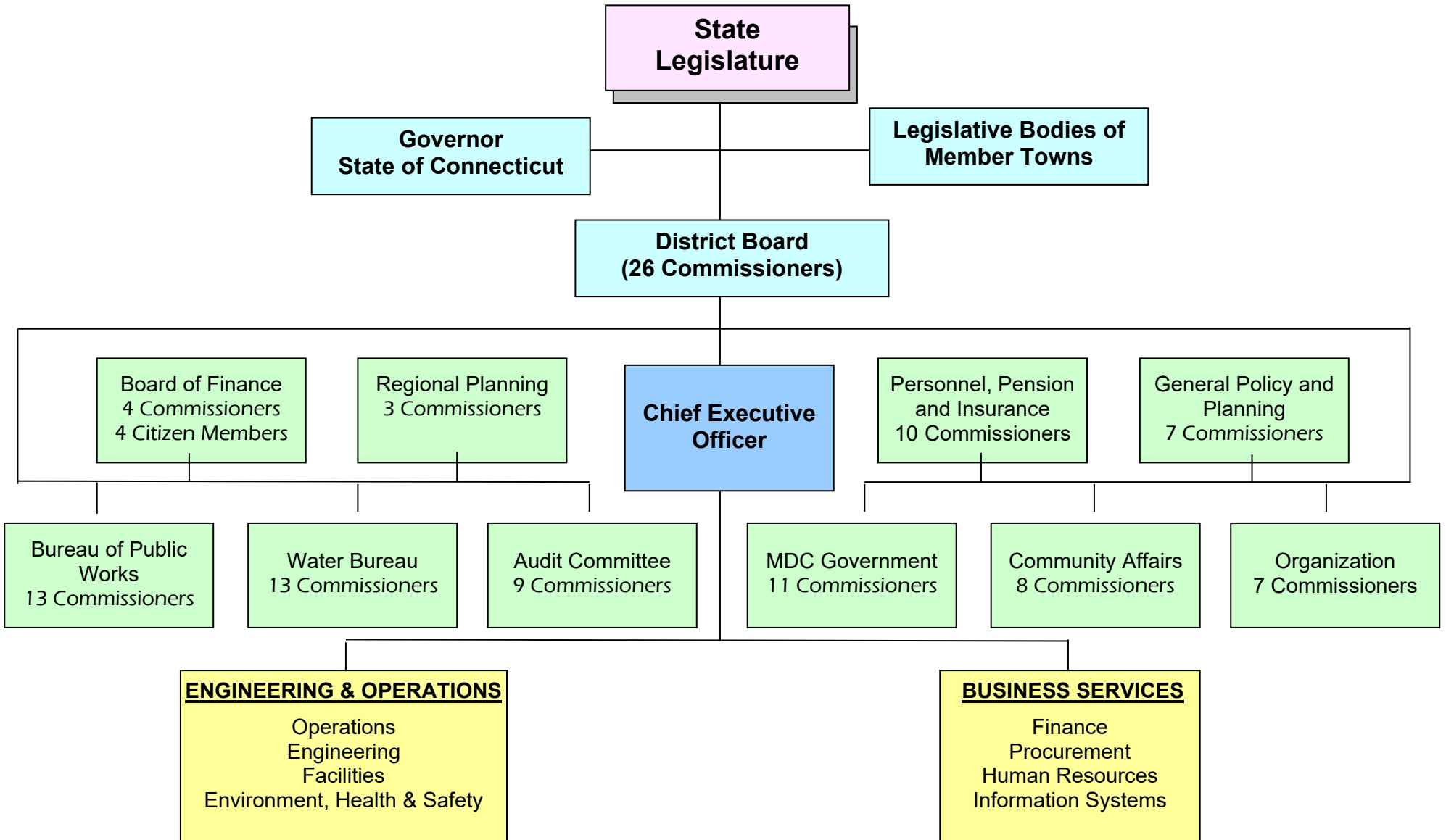
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

**The Metropolitan District
Hartford County
Organization Chart**



**THE METROPOLITAN DISTRICT
THE DISTRICT BOARD**

Name	Primary Occupation	Municipality Represented	Term Expires	Bureaus, Boards, Committees
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, General Policy and Planning, Committee on MDC Government, Personnel, Pension & Insurance Committee, Community Affairs Committee, CRRA Steering Committee
Andrew Adil	Investment Advisor	Wethersfield	12-31-2024	Bureau of Public Works, Water Bureau, Board of Finance, Strategic Planning Committee
John Avedisian	Plant Metallurgist	Windsor	12-31-2022	Bureau of Public Works, Committee on MDC Government, Strategic Planning Committee
Clifford Avery Buell	Wealth Advisor	Hartford	12-31-2021	Water Bureau, Committee on MDC Government, Committee on Organization, Community Affairs Committee, Farmington River Watershed
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
Donald Currey	Retired	East Hartford	12-31-2024	Bureau of Public Works, General Policy & Planning, Board of Finance, Committee on Organization, Personnel, Pension and Insurance Committee, Audit Committee
Peter Gardow	Engineer	Legislative Appointee	12-31-2020	Water Bureau, Committee on MDC Government, Audit Committee
Denise Berard Hall	Senior Vice President / Treasury Sales Manager	West Hartford	12-31-2023	Water Bureau, General Policy & Planning, Committee on MDC Government
James Healy	Attorney	West Hartford	12-31-2024	Bureau of Public Works, Strategic Planning Committee, Farmington River Watershed
Allen Hoffman	Consultant	Legislative Appointee	12-31-2024	Bureau of Public Works, Board of Finance, Committee on MDC Government, Committee on Organization, Audit Committee, Strategic Planning Committee

Name	Primary Occupation	Municipality Represented	Term Expires	Bureaus, Boards, Committees
Georgiana E. Holloway	Executive Assistant	Hartford	12-31-2020	Water Bureau, Community Affairs Committee, Committee on MDC Government, Farmington River Watershed
David Ionno	Veterans Speaker/ Advocate	Hartford	12-31-2020	Water Bureau, Committee on MDC Government, Community Affairs Committee
Gary LeBeau		East Hartford	12-31-2022	Water Bureau, Committee on MDC Government, Strategic Planning Committee
Byron Lester		Bloomfield	12-31-2024	Bureau of Public Works, Personnel, Pension & Insurance Committee, Strategic Planning Committee
Jackie Gorsky Mandyck		West Hartford	12-31-2024	Water Bureau, Audit Committee
Michael Maniscalco	Town Manager	South Windsor	12-31-2019	District Board Only
Alphonse Marotta	Retired	Hartford	12-31-2022	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, General Policy & Planning, Personnel, Pension and Insurance Committee, Audit Committee, Strategic Planning Committee
Bhupen Patel	Director of Construction Assurance	Newington	12-31-2020	Bureau of Public Works, Personnel, Pension and Insurance Committee, Farmington River Watershed
Pasquale J. Salemi	Engineer	East Hartford	12-31-2022	Water Bureau, General Planning & Policy, Board of Finance, Personnel, Pension & Insurance Committee, CRRA Steering Committee, Energy Committee

Name	Primary Occupation	Municipality Represented	Term Expires	Bureaus, Boards, Committees
Michael Solomonides	Marketing Manager	Farmington	12-31-2020	District Board Only
Raymond Sweezy	Retired	Rocky Hill	12-31-2024	Bureau of Public Works, Water Bureau, General Policy & Planning, Committee on Organization, Personnel, Pension & Insurance Committee, Community Affairs, Commission on Regional Planning, Audit Committee, Strategic Planning 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, 2019*

	Total Commissioners	Appointed By		
		Municipality	Governor	Legislature
Hartford	5	5	0	
East Hartford	3	2	1	
West Hartford	4	3	1	
Windsor	1	1	0	
Bloomfield	1	1		
Wethersfield	2	1	1	
Newington	2	1	1	
Rocky Hill	1	1		
East Granby	0	0		
Farmington	1	1		
Glastonbury	1	1		
South Windsor	1	1		
Legislative Appointment	4			4
	<u>26</u>	<u>18</u>	<u>4</u>	<u>4</u>

*Three Hartford Commissioners appointed by the Governor, One Hartford Commissioner appointed by the municipality, One Windsor Commissioner appointed by the Governor, One East Hartford Commissioner appointed by the municipality and one East Granby Commissioner appointed by the municipality were vacant as of 12/31/2019.

THE METROPOLITAN DISTRICT

**HARTFORD COUNTY
BOARD OF FINANCE**

	Term <u>Expires</u>
William A. DiBella (Ex-Officio)	12-31-2020
Andrew Adil	12-31-2024
Donald Currey	12-31-2024
Allen Hoffman	12-31-2024
Pasquale J. Salemi	12-31-2022
Ram Aberasturia	12-31-2019
Ronald F. Angelo	12-31-2019
Joan McCarthy Gentile	12-31-2019
Linda A. King-Corbin	12-31-2019



FINANCIAL SECTION

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, 2019, 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, 2019 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules, as listed in the table of contents, 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 25, 2020 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 25, 2020

**The Metropolitan District
Management's Discussion and Analysis
December 31, 2019**

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, 2019. 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 \$754,842,794 and \$90,303,443 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 \$131,335,645 an increase of \$610,018 in comparison with the prior year.
- On a government-wide basis, the District's total net position increased by \$54,198,116 and decreased by \$25,714,673 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.

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 60-62 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.

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 considered a major fund 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 71-73 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 25-59 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 \$754,842,794 and \$90,303,443 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 2019 compared to the prior year, and the changes in net position for fiscal 2018, compared to the prior year.

**The Metropolitan District
NET POSITION
December 31, 2019 and 2018**

	2019			2018		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and other assets	\$ 154,142,887	\$ 79,608,216	\$ 233,751,103	\$ 170,617,171	\$ 75,117,729	\$ 245,734,900
Capital assets, net of accumulated depreciation	1,905,798,421	608,196,939	2,513,995,360	1,814,591,656	599,920,958	2,414,512,614
Total assets	<u>2,059,941,308</u>	<u>687,805,155</u>	<u>2,747,746,463</u>	<u>1,985,208,827</u>	<u>675,038,687</u>	<u>2,660,247,514</u>
Deferred outflows of resources	34,709,913	46,713,175	81,423,088	15,928,969	21,130,296	37,059,265
Current liabilities	28,143,066	7,448,060	35,591,126	46,464,713	15,896,106	62,360,819
Long-term liabilities outstanding	1,293,425,040	612,291,938	1,905,716,978	1,235,900,679	539,155,681	1,775,056,360
Total liabilities	<u>1,321,568,106</u>	<u>619,739,998</u>	<u>1,941,308,104</u>	<u>1,282,365,392</u>	<u>555,051,787</u>	<u>1,837,417,179</u>
Deferred inflows of resources	18,240,321	24,474,889	42,715,210	18,127,726	25,099,080	43,226,806
Net Position:						
Net investment in capital assets	809,558,713	272,553,110	1,082,111,823	738,962,237	284,768,635	1,023,730,872
Restricted	2,744,874		2,744,874	521,274 *		521,274
Unrestricted	(57,460,793)	(182,249,667)	(239,710,460)	(38,838,833)	(168,750,519)	(207,589,352)
Total Net Position	<u>\$ 754,842,794</u>	<u>\$ 90,303,443</u>	<u>\$ 845,146,237</u>	<u>\$ 700,644,678</u>	<u>\$ 116,018,116</u>	<u>\$ 816,662,794</u>

* Restricted net position reclassified from prior year presentation.

The District's net position increased by \$28,483,443 overall during the fiscal year with ending net position of Governmental Activities and Business-Type Activities of \$754,842,794 and \$90,303,443 respectively.

Governmental Activities

The net position of governmental activities increased \$54,198,116 from the prior year, primarily due to an increase in capital assets of \$91,206,765 offset by an increase of \$39,202,714 in liabilities.

Deferred outflow of resources increased \$18,780,944 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources remained relatively consistent compared to prior year.

Business-Type Activities

The total net position of business-type activities decreased \$25,714,673 from prior year, primarily due to an increase in settlement liability of \$7,900,000 in addition to a decrease in investment in capital assets of \$12,215,525.

Deferred outflow of resources increased \$25,582,879 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources remained relatively consistent compared to prior year.

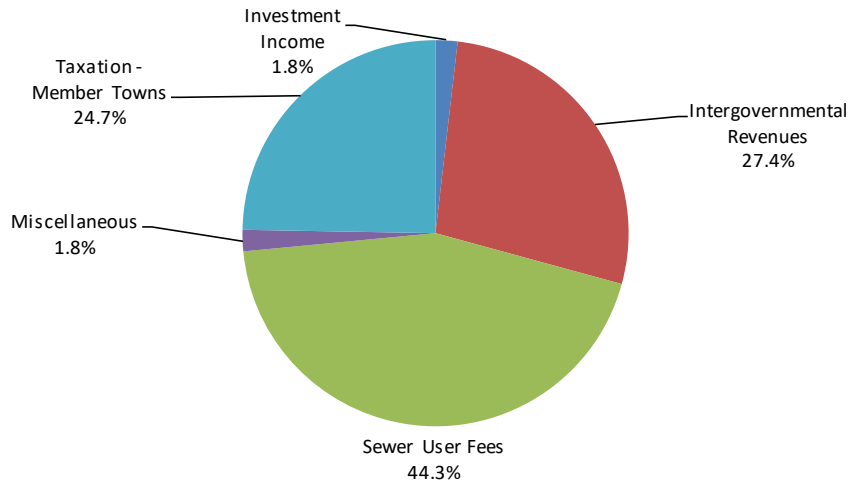
The Metropolitan District CHANGES IN NET POSITION For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 86,222,994	\$ 92,873,907	\$ 179,096,901	\$ 73,018,310	\$ 79,715,461	\$ 152,733,771
Capital grants and contributions	53,379,335	4,949,099	58,328,434	49,836,293	17,337,818	67,174,111
General revenues:						
Sewer taxation - member municipalities	48,153,100		48,153,100	45,004,000		45,004,000
Unrestricted investment earnings	3,573,305	270,730	3,844,035	3,060,821	236,085	3,296,906
Miscellaneous income	3,466,043		3,466,043	5,501,247		5,501,247
Total revenues	<u>194,794,777</u>	<u>98,093,736</u>	<u>292,888,513</u>	<u>176,420,671</u>	<u>97,289,364</u>	<u>273,710,035</u>
Expenses:						
General government	22,503,242		22,503,242	3,478,751		3,478,751
Operations	32,724,856		32,724,856	11,612,676		11,612,676
Plants and maintenance	71,412,175		71,412,175	32,932,419		32,932,419
Interest on long-term debt	28,064,892		28,064,892	30,746,675		30,746,675
Water		107,583,098	107,583,098		124,328,800	124,328,800
Hydroelectricity		2,116,807	2,116,807		247,281	247,281
Total expenses	<u>154,705,165</u>	<u>109,699,905</u>	<u>264,405,070</u>	<u>78,770,521</u>	<u>124,576,081</u>	<u>203,346,602</u>
Excess of Revenues over Expenditures before Transfers	40,089,612	(11,606,169)	28,483,443	97,650,150	(27,286,717)	70,363,433
Transfers	<u>14,108,504</u>	<u>(14,108,504)</u>	<u>-</u>	<u>12,366,415</u>	<u>(12,366,415)</u>	<u>-</u>
Net Change in Net Position	54,198,116	(25,714,673)	28,483,443	110,016,565	(39,653,132)	70,363,433
Net Position at Beginning of Year	<u>700,644,678</u>	<u>116,018,116</u>	<u>816,662,794</u>	<u>590,628,113</u>	<u>155,671,248</u>	<u>746,299,361</u>
Net Position at End of Year	<u>\$ 754,842,794</u>	<u>\$ 90,303,443</u>	<u>\$ 845,146,237</u>	<u>\$ 700,644,678</u>	<u>\$ 116,018,116</u>	<u>\$ 816,662,794</u>

Governmental Activities

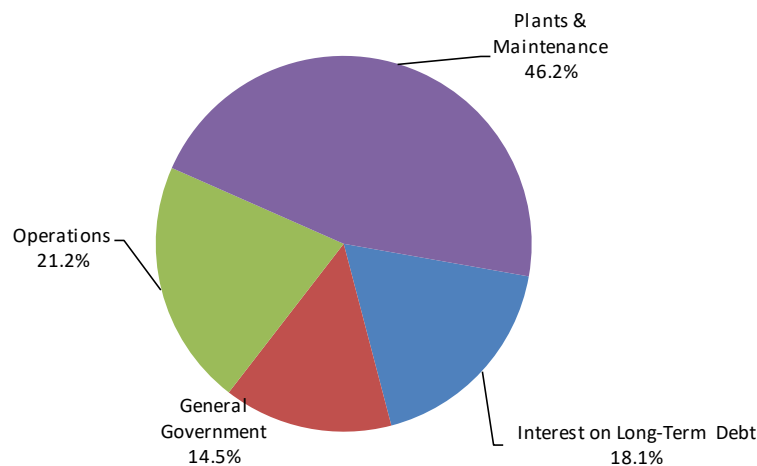
Net position of governmental activities increased by \$54,198,116 in 2019.

Major revenue factors include:



- Approximately 24.7% 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 \$77,482,872 which increased by \$13,594,850 due to rate increases and increased usage.
- The primary component of operating and capital grants and contributions consists of intergovernmental revenues of \$30,203,841 which decreased by \$23,686,884 from the prior year. The intergovernmental revenue decrease is due to completion of a majority of construction contracts coming to scheduled completion dates and various funding agreements being converted from IFO to PLO.

Major expenditure factors include:

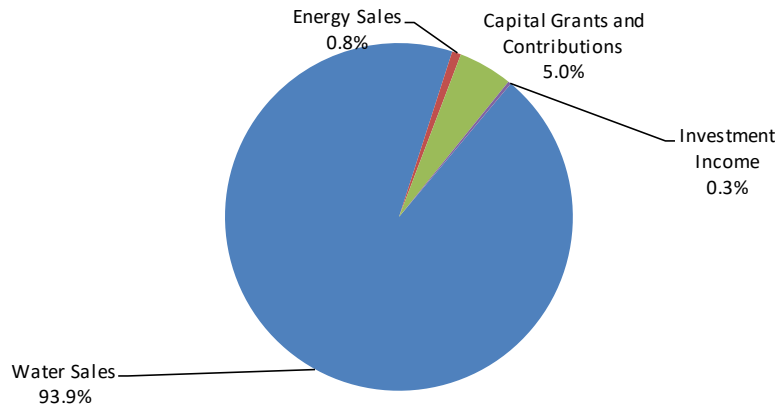


- During 2019, expenses increased from the prior year by \$75,934,644 of which \$38,479,756 is due to increased Plants and Maintenance expenses along with increased Operation Expenses of \$21,112,180 and increased General Government expenses of \$19,024,491.

Business-Type Activities

Net position of business-type activities decreased by \$25,714,673 in 2019.

Major Revenue Factors Include:

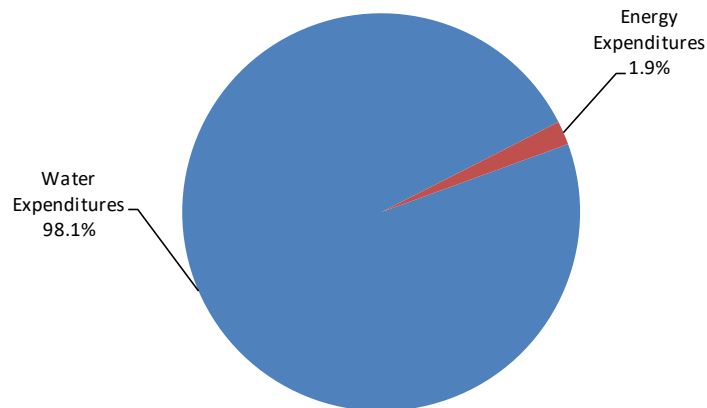


Water sales revenue increased by \$13,630,598 or 17.4% due to increases in water rates.

Capital grants and contributions decreased by \$12,388,719 due to scheduled completion of construction projects and conversion of IFO's to PLO's.

Energy sales decreased by \$472,152 due to Colebrook not producing power in 2019.

Major expense factors include:



➤ Water expenses decreased \$16,745,702 or 15.6% primarily due to a prior year OPEB adjustment.

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 \$131,335,645 an increase of \$610,018 in comparison with the prior year. Of the fund balances, \$93,362,137 is committed primarily for Clean Water Project future debt service or capital expenses, \$3,403,852 is nonspendable and reserved for inventory and prepaid assets, and \$7,124,915 is committed for other non-major sewer capital projects. The remaining general fund and capital projects show a combined unassigned balance of \$24,699,867.

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 \$28,103,719, of which \$24,699,867 is unassigned and spendable and \$3,403,852 is nonspendable and reserved for inventory and prepaid assets. This represents a fund balance increase in the General Fund of \$1,811,776 primarily due to an increase in sewer user fees and other revenues while the District had cost savings in plants and maintenance expenditures.

The Debt Service Fund balance increase of \$2,223,600 is due to the timing of paying debt service on general obligation debt versus the funding.

The Clean Water Project Fund had a decrease in fund balance \$6,995,877 which is due to delayed reimbursement of project spending.

The Capital Project Fund had an increase in fund balance of \$3,570,519 which is a result of the 2019 Bond Issuance.

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 \$90,303,443 at the end of the year.

Unrestricted net position of the Water Utility Fund at the end of the year was a deficit of \$177,872,534. Net investment in capital assets amounted to \$266,247,893. The Hydroelectricity Fund has unrestricted net position of \$2,160,494, or 25.5% of total net position. Net investment in capital assets amounted to \$6,305,217, or 74.5% of total net position of the fund.

General Fund Budgetary Highlights

During the 2019 budget year, total revenues and other financing sources were below budget by \$7,313,765 or 8.7%, and expenditures were less than budget by \$8,861,837 or 10.8%.

Some of the major highlights are as follows:

- The District's budget included a contingent item of \$4,000,000 to cover the groundwater remediation receivable. If this receivable had been paid it would have resulted in a reduction in the ad valorem billing during 2019. However, this bill was outstanding during the calendar year.
- Expenditures were favorable to budget due to the contingency expense \$4,000,000 noted above and favorable Water Pollution Control expenses of \$1,890,909.

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, 2019 amounted to \$1,905,798,421 and \$608,196,939 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 2019 consisted of infrastructure improvements, building additions, and additional machinery and equipment.

The Metropolitan District CAPITAL ASSETS (net of depreciation) December 31, 2019 and 2018

	2019			2018		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 10,248,534	\$ 10,181,885	\$ 20,430,419	\$ 10,206,473	\$ 10,181,885	\$ 20,388,358
Buildings	322,292,326	102,952,747	425,245,073	293,217,275	74,874,804	368,092,079
Machinery and equipment	43,059,189	21,023,816	64,083,005	29,582,288	13,063,648	42,645,936
Infrastructure	687,428,485	321,798,970	1,009,227,455	529,912,551	253,445,615	783,358,166
Construction in progress	842,769,887	152,239,521	995,009,408	951,673,069	248,355,006	1,200,028,075
Total	\$ <u>1,905,798,421</u>	\$ <u>608,196,939</u>	\$ <u>2,513,995,360</u>	\$ <u>1,814,591,656</u>	\$ <u>599,920,958</u>	\$ <u>2,414,512,614</u>

Additional information on the District's capital assets can be found in Note 3D on pages 36-38 of this report.

Long-Term Debt

At the end of the current year, the District had total open market bonded debt outstanding of \$875,880,922 and \$579,208,884 of Clean Water and Drinking Water State Revolving fund loans outstanding. All of the Governmental Activities debt, \$1,293,425,040, with the exception of \$197,740,000 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, 2019 and 2018

	2019			2018		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General obligation/ Revenue bonds	\$ 581,238,983	\$ 294,641,939	\$ 875,880,922	\$ 571,679,115	\$ 268,738,651	\$ 840,417,766
Clean/drinking water loans	527,219,298	51,989,586	579,208,884	510,928,231	53,100,633	564,028,864
Compensated absences	3,468,109	3,339,340	6,807,449	3,094,578	3,174,752	6,269,330
Claims and judgments		6,358,539	6,358,539		6,181,157	6,181,157
Settlement liability		7,900,000	7,900,000			-
Net pension liability	24,555,192	33,560,708	58,115,900	28,625,799	39,634,385	68,260,184
OPEB obligation	156,943,458	214,501,826	371,445,284	121,572,956	168,326,103	289,899,059
Total	\$ 1,293,425,040	\$ 612,291,938	\$ 1,905,716,978	\$ 1,235,900,679	\$ 539,155,681	\$ 1,775,056,360

In July 2019, in connection with its general obligation bond issue, the District affirmed both its rating and outlook with Moody's Investors Service and S&P Global Ratings. Those ratings are Aa3/AA respectively, each with a stable outlook.

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 \$1,284,605,245.

Additional information on the District's long-term debt can be found in Note 3F on pages 39-43 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 2019 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, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 127,337,053	\$ 60,803,174	\$ 188,140,227
Receivables, net of allowance for uncollectibles	23,401,982	14,467,447	37,869,429
Inventory	2,916,842	3,120,822	6,037,664
Prepaid items	487,010	1,216,773	1,703,783
Capital assets, nondepreciable	853,018,421	162,421,406	1,015,439,827
Capital assets, net of accumulated depreciation	<u>1,052,780,000</u>	<u>445,775,533</u>	<u>1,498,555,533</u>
Total assets	<u>2,059,941,308</u>	<u>687,805,155</u>	<u>2,747,746,463</u>
Deferred Outflows of Resources:			
Deferred outflows - pension	5,903,523	8,068,618	13,972,141
Deferred outflows - OPEB	27,548,094	37,651,241	65,199,335
Deferred charge on refunding	<u>1,258,296</u>	<u>993,316</u>	<u>2,251,612</u>
Total deferred outflows of resources	<u>34,709,913</u>	<u>46,713,175</u>	<u>81,423,088</u>
Liabilities:			
Accounts payable and accrued items	27,320,896	6,173,539	33,494,435
Customer advances for construction	822,170	1,274,521	2,096,691
Noncurrent liabilities:			
Due within one year	108,419,928	32,477,274	140,897,202
Due in more than one year	<u>1,185,005,112</u>	<u>579,814,664</u>	<u>1,764,819,776</u>
Total liabilities	<u>1,321,568,106</u>	<u>619,739,998</u>	<u>1,941,308,104</u>
Deferred Inflows of Resources:			
Deferred inflows - pension	3,220,592	4,401,729	7,622,321
Deferred inflows - OPEB	13,537,419	18,502,211	32,039,630
Deferred charge on refunding	<u>1,482,310</u>	<u>1,570,949</u>	<u>3,053,259</u>
Total deferred inflows of resources	<u>18,240,321</u>	<u>24,474,889</u>	<u>42,715,210</u>
Net Position:			
Net investment in capital assets	809,558,713	272,553,110	1,082,111,823
Restricted for:			
Debt service	2,744,874		2,744,874
Unrestricted	<u>(57,460,793)</u>	<u>(182,249,667)</u>	<u>(239,710,460)</u>
Total Net Position	<u>\$ 754,842,794</u>	<u>\$ 90,303,443</u>	<u>\$ 845,146,237</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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	\$ 22,503,242	\$	\$	\$ 935,301	\$ (21,567,941)	\$	\$ (21,567,941)
Operations	32,724,856	22,543,779		9,106,270	(1,074,807)		(1,074,807)
Plants and maintenance	71,412,175	63,679,215		43,337,764	35,604,804		35,604,804
Interest on long-term debt	28,064,892				(28,064,892)		(28,064,892)
Total governmental activities	<u>154,705,165</u>	<u>86,222,994</u>	<u>-</u>	<u>53,379,335</u>	<u>(15,102,836)</u>	<u>-</u>	<u>(15,102,836)</u>
Business-type activities:							
Water	107,583,098	92,057,766		4,949,099		(10,576,233)	(10,576,233)
Hydroelectricity	2,116,807	816,141				(1,300,666)	(1,300,666)
Total business-type activities	<u>109,699,905</u>	<u>92,873,907</u>	<u>-</u>	<u>4,949,099</u>	<u>-</u>	<u>(11,876,899)</u>	<u>(11,876,899)</u>
Total	<u>\$ 264,405,070</u>	<u>\$ 179,096,901</u>	<u>\$ -</u>	<u>\$ 58,328,434</u>	<u>(15,102,836)</u>	<u>(11,876,899)</u>	<u>(26,979,735)</u>
General revenues:							
Sewer taxation - member municipalities					48,153,100		48,153,100
Miscellaneous					3,466,043		3,466,043
Unrestricted investment earnings					3,573,305	270,730	3,844,035
Transfers					14,108,504	(14,108,504)	-
Total general revenues and transfers					<u>69,300,952</u>	<u>(13,837,774)</u>	<u>55,463,178</u>
Change in Net Position					54,198,116	(25,714,673)	28,483,443
Net Position at Beginning of Year					<u>700,644,678</u>	<u>116,018,116</u>	<u>816,662,794</u>
Net Position at End of Year					<u>\$ 754,842,794</u>	<u>\$ 90,303,443</u>	<u>\$ 845,146,237</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Clean Water Project</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 21,964,836	\$ 2,744,874	\$ 90,086,201	\$ 12,541,142	\$ 127,337,053
Receivables, net of allowance for uncollectibles	5,153,260		16,357,300	1,891,422	23,401,982
Inventory	2,916,842				2,916,842
Prepaid items	487,010				487,010
Total Assets	<u>\$ 30,521,948</u>	<u>\$ 2,744,874</u>	<u>\$ 106,443,501</u>	<u>\$ 14,432,564</u>	<u>\$ 154,142,887</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued items	\$ 1,596,059		\$ 13,081,364	\$ 5,327,945	\$ 20,005,368
Customer advances for construction	822,170				822,170
Total liabilities	<u>2,418,229</u>	<u>-</u>	<u>13,081,364</u>	<u>5,327,945</u>	<u>20,827,538</u>
Deferred inflows of resources:					
Unavailable revenue - special assessments				1,979,704	1,979,704
Fund balances:					
Nonspendable	3,403,852				3,403,852
Restricted		2,744,874			2,744,874
Committed			93,362,137	7,124,915	100,487,052
Unassigned	24,699,867				24,699,867
Total fund balances	<u>28,103,719</u>	<u>2,744,874</u>	<u>93,362,137</u>	<u>7,124,915</u>	<u>131,335,645</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,521,948</u>	<u>\$ 2,744,874</u>	<u>\$ 106,443,501</u>	<u>\$ 14,432,564</u>	<u>\$ 154,142,887</u>

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2019

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)	\$ 131,335,645
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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	\$ 2,299,309,315	
Less accumulated depreciation	<u>(393,510,894)</u>	
Net capital assets		1,905,798,421

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	1,979,704
Deferred outflows related to refunding	1,258,296
Deferred outflows related to pensions	5,903,523
Deferred outflows related to OPEB	27,548,094

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	(519,711,912)
Premiums	(61,527,071)
Notes payable	(527,219,298)
Interest payable on long-term debt	(7,315,528)
Compensated absences	(3,468,109)
Net pension liability	(24,555,192)
Deferred inflows related to pension	(3,220,592)
Deferred inflows related to OPEB	(13,537,419)
Deferred inflows related to refunding	(1,482,310)
OPEB obligation	<u>(156,943,458)</u>

Net Position of Governmental Activities (page 14)	<u>\$ 754,842,794</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, 2019**

	<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 municipalities	\$ 48,153,100	\$	\$	\$	\$ 48,153,100
Assessments				696,265	696,265
Sewer user fees	15,670,998		61,811,874		77,482,872
Intergovernmental revenues	5,514,708		24,276,018	413,115	30,203,841
Investment income	734,871		2,838,434		3,573,305
Other local revenues	5,582,358			362,991	5,945,349
Total revenues	<u>75,656,035</u>	<u>-</u>	<u>88,926,326</u>	<u>1,472,371</u>	<u>166,054,732</u>
Expenditures:					
Current:					
General government	4,548,043				4,548,043
Operations	3,745,528				3,745,528
Plants and maintenance	18,150,755				18,150,755
Employee benefits and other	15,335,071				15,335,071
Debt service:					
Principal retirement		61,289,866			61,289,866
Interest		32,347,160			32,347,160
Capital outlay			79,203,192	68,915,220	148,118,412
Total expenditures	<u>41,779,397</u>	<u>93,637,026</u>	<u>79,203,192</u>	<u>68,915,220</u>	<u>283,534,835</u>
Excess (Deficiency) of Revenues over Expenditures	<u>33,876,638</u>	<u>(93,637,026)</u>	<u>9,723,134</u>	<u>(67,442,849)</u>	<u>(117,480,103)</u>
Other Financing Sources (Uses):					
Issuance of bonds				38,395,250	38,395,250
Premiums on issuance of bonds				7,049,505	7,049,505
Issuance of refunding bonds		58,603,410			58,603,410
Premiums on refunding bonds		10,539,988			10,539,988
Payment to refunded bond escrow agent		(68,712,098)			(68,712,098)
Clean Water Fund loans issued			44,414,646	1,652,460	46,067,106
Transfers in		95,429,326		23,916,153	119,345,479
Transfers out	(32,064,862)		(61,133,657)		(93,198,519)
Total other financing sources (uses)	<u>(32,064,862)</u>	<u>95,860,626</u>	<u>(16,719,011)</u>	<u>71,013,368</u>	<u>118,090,121</u>
Net Change in Fund Balances	1,811,776	2,223,600	(6,995,877)	3,570,519	610,018
Fund Balances at Beginning of Year	<u>26,291,943</u>	<u>521,274</u>	<u>100,358,014</u>	<u>3,554,396</u>	<u>130,725,627</u>
Fund Balances at End of Year	<u>\$ 28,103,719</u>	<u>\$ 2,744,874</u>	<u>\$ 93,362,137</u>	<u>\$ 7,124,915</u>	<u>\$ 131,335,645</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, 2019**

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)	\$ 610,018
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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	133,794,027
Depreciation expense	(35,091,605)

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.

	(7,495,657)
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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	49,842
Change in deferred outflows related to pension	(3,795,699)
Change in deferred outflows related to OPEB	22,801,922

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	(46,067,106)
Proceeds from issuance of bonds	(38,395,250)
Premiums on issuance of bonds	(7,049,505)
Proceeds from issuance of refunding bonds	(58,603,410)
Premiums on issuance of refunding bonds	(10,539,988)
Bond payments	99,896,381
Amortization of bond premium and deferred charge on refunding	3,424,314
Clean Water Fund loan payments	29,776,039
Change in accrued interest	1,187,504

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	(373,531)
Change in net pension liability	4,070,607
Change in deferred inflows related to pension	(3,015,399)
Change in deferred inflows related to OPEB	4,385,114
Change in OPEB obligation	(35,370,502)

Change in Net Position of Governmental Activities (page 15)	<u>\$ 54,198,116</u>
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The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Business-Type Activities - Enterprise Funds			Business-Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project		
Assets:				
Current assets:				
Cash and cash equivalents	\$ 58,051,932	\$ 2,641,538	\$ 60,693,470	\$ 109,704
Accounts receivable, net of allowance for uncollectibles	14,399,253	24,929	14,424,182	43,265
Inventory	2,883,932	236,890	3,120,822	
Prepaid items	1,206,825	9,948	1,216,773	
Total current assets	<u>76,541,942</u>	<u>2,913,305</u>	<u>79,455,247</u>	<u>152,969</u>
Noncurrent assets:				
Capital assets, nondepreciable	162,421,406		162,421,406	
Capital assets, net of accumulated depreciation	439,470,316	6,305,217	445,775,533	
Total noncurrent assets	<u>601,891,722</u>	<u>6,305,217</u>	<u>608,196,939</u>	<u>-</u>
Total assets	<u>678,433,664</u>	<u>9,218,522</u>	<u>687,652,186</u>	<u>152,969</u>
Deferred Outflows of Resources:				
Deferred outflows - pension	8,042,628	25,990	8,068,618	
Deferred outflows - OPEB	37,529,968	121,273	37,651,241	
Deferred charge on refunding	993,316		993,316	
Total deferred outflows of resources	<u>46,565,912</u>	<u>147,263</u>	<u>46,713,175</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	5,814,187	27,295	5,841,482	332,057
Customer advances for construction	1,274,521		1,274,521	
Current portion of claims incurred but not reported			-	1,149,008
Current portion of compensated absences	2,396,125		2,396,125	
Current portion of settlement liability	5,913,959		5,913,959	
Current portion of bonds and loans payable	23,018,182		23,018,182	
Total current liabilities	<u>38,416,974</u>	<u>27,295</u>	<u>38,444,269</u>	<u>1,481,065</u>
Noncurrent liabilities:				
Compensated absences	943,215		943,215	
Bonds and loans payable after one year	323,613,343		323,613,343	
Claims incurred but not reported			-	5,209,531
Settlement liability	1,986,041		1,986,041	
Net pension liability	33,452,609	108,099	33,560,708	
OPEB liability	213,810,918	690,908	214,501,826	
Total noncurrent liabilities	<u>573,806,126</u>	<u>799,007</u>	<u>574,605,133</u>	<u>5,209,531</u>
Total liabilities	<u>612,223,100</u>	<u>826,302</u>	<u>613,049,402</u>	<u>6,690,596</u>
Deferred Inflows of Resources:				
Deferred inflows - pension	4,387,552	14,177	4,401,729	
Deferred inflows - OPEB	18,442,616	59,595	18,502,211	
Deferred charge on refunding	1,570,949		1,570,949	
Total deferred inflows of resources	<u>24,401,117</u>	<u>73,772</u>	<u>24,474,889</u>	<u>-</u>
Net Position:				
Net investment in capital assets	266,247,893	6,305,217	272,553,110	
Unrestricted	(177,872,534)	2,160,494	(175,712,040)	(6,537,627)
Total Net Position	<u>\$ 88,375,359</u>	<u>\$ 8,465,711</u>	<u>96,841,070</u>	<u>\$ (6,537,627)</u>
		Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds	(6,537,627)	
		Net Position of Business-Type Activities	<u>\$ 90,303,443</u>	

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, 2019**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Business-Type Activities - Internal Service Fund</u>
	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>	
	<u>Water Utility</u>	<u>Hydroelectric Development Project</u>		
Operating Revenues:				
Water sales	\$ 86,566,574	\$	\$ 86,566,574	\$
Energy sales		816,141	816,141	
Reimbursement			-	20,607,582
Miscellaneous	5,491,192		5,491,192	
Total operating revenues	<u>92,057,766</u>	<u>816,141</u>	<u>92,873,907</u>	<u>20,607,582</u>
Operating Expenses:				
General government	9,538,765		9,538,765	
Operations	16,595,689		16,595,689	17,651,151
Plants and maintenance	11,522,672		11,522,672	
Employee benefits and other	37,704,122	17,265	37,721,387	
Source of supply		496,977	496,977	
Depreciation expense	18,304,811	174,533	18,479,344	
Total operating expenses	<u>93,666,059</u>	<u>688,775</u>	<u>94,354,834</u>	<u>17,651,151</u>
Operating Income (Loss)	<u>(1,608,293)</u>	<u>127,366</u>	<u>(1,480,927)</u>	<u>2,956,431</u>
Nonoperating Revenues (Expenses):				
Investment income	270,730		270,730	
Miscellaneous revenue	2,313,612		2,313,612	
Loss on disposal of assets		(1,428,032)	(1,428,032)	
Settlement	(7,900,000)		(7,900,000)	
Interest and fiscal charges	(11,287,082)		(11,287,082)	
Net nonoperating revenues (expenses)	<u>(16,602,740)</u>	<u>(1,428,032)</u>	<u>(18,030,772)</u>	<u>-</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(18,211,033)</u>	<u>(1,300,666)</u>	<u>(19,511,699)</u>	<u>2,956,431</u>
Capital Contributions	15,921,555	1,066,000	16,987,555	
Transfers Out	<u>(26,146,960)</u>		<u>(26,146,960)</u>	
Change in Net Position	<u>(28,436,438)</u>	<u>(234,666)</u>	<u>(28,671,104)</u>	<u>2,956,431</u>
Net Position at Beginning of Year	<u>116,811,797</u>	<u>8,700,377</u>		<u>(9,494,058)</u>
Net Position at End of Year	<u>\$ 88,375,359</u>	<u>\$ 8,465,711</u>		<u>\$ (6,537,627)</u>
			Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds	<u>2,956,431</u>
			Change in Net Position of Business-Type Activities	<u>\$ (25,714,673)</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, 2019**

	Business-Type Activities - Enterprise Funds			Business-Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project		
Cash Flows from Operating Activities:				
Receipts from customers, users and others	\$ 90,984,705	\$ 941,869	\$ 91,926,574	\$ 21,408,809
Payments to suppliers	(30,554,553)	(562,934)	(31,117,487)	(21,357,095)
Payments to employees	(46,471,534)	79,700	(46,391,834)	
Net cash provided by (used in) operating activities	<u>13,958,618</u>	<u>458,635</u>	<u>14,417,253</u>	<u>51,714</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets/utility plant	(2,128,928)		(2,128,928)	
Proceeds from bonds	38,104,750		38,104,750	
Proceeds from bond premiums	6,995,858		6,995,858	
Proceeds from drinking water loans	2,393,840		2,393,840	
Proceeds from refunding bonds	22,771,590		22,771,590	
Proceeds from refunding bond premiums	4,119,263		4,119,263	
Payment of old bonds refunded	(31,175,134)		(31,175,134)	
Principal payments on bonds	(11,698,478)		(11,698,478)	
Principal payments on drinking water loans	(3,504,887)		(3,504,887)	
Interest payments on bonds and notes	(9,579,791)		(9,579,791)	
Payment to Debt Service fund	(26,146,960)		(26,146,960)	
Net cash provided by (used in) capital and related financing activities	<u>(9,848,877)</u>	<u>-</u>	<u>(9,848,877)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>270,730</u>		<u>270,730</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	4,380,471	458,635	4,839,106	51,714
Cash and Cash Equivalents at Beginning of Year	<u>53,671,461</u>	<u>2,182,903</u>	<u>55,854,364</u>	<u>57,990</u>
Cash and Cash Equivalents at End of Year	<u>\$ 58,051,932</u>	<u>\$ 2,641,538</u>	<u>\$ 60,693,470</u>	<u>\$ 109,704</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (1,608,293)	\$ 127,366	\$ (1,480,927)	\$ 2,956,431
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	18,304,811	174,533	18,479,344	
Amortization of bond premiums	(3,214,561)		(3,214,561)	
Miscellaneous nonoperating revenue (expense)	2,313,612		2,313,612	
Net capital asset addition	(9,066,872)		(9,066,872)	
Change in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in accounts receivable	(444,645)	125,728	(318,917)	801,227
(Increase) decrease in inventory	(79,727)		(79,727)	
(Increase) decrease in prepaid items	(2,012)	(238)	(2,250)	
(Increase) decrease in deferred outflows of resources related to pensions	5,341,968	18,651	5,360,619	
(Increase) decrease in deferred outflows of resources related to OPEB	(30,980,412)	(99,428)	(31,079,840)	
Increase (decrease) in accounts payable and accrued expenses	(3,950,287)	13,981	(3,936,306)	(3,883,326)
Increase (decrease) in customer advances for construction	(628,416)		(628,416)	
Increase (decrease) in compensated absences	164,588		164,588	
Increase (decrease) in net OPEB liability	46,044,365	131,358	46,175,723	
Increase (decrease) in net pension liability	(6,050,023)	(23,654)	(6,073,677)	
Increase (decrease) in deferred inflows of resources related to pensions	4,104,393	13,233	4,117,626	177,382
Increase (decrease) in deferred inflows of resources related to OPEB	(6,289,871)	(22,895)	(6,312,766)	
Total adjustments	<u>15,566,911</u>	<u>331,269</u>	<u>15,898,180</u>	<u>(2,904,717)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 13,958,618</u>	<u>\$ 458,635</u>	<u>\$ 14,417,253</u>	<u>\$ 51,714</u>
Noncash Investing, Capital and Financing Activities:				
Capital assets contributed by Capital Projects Fund	<u>\$ 15,921,555</u>	<u>\$ 1,066,000</u>	<u>\$ 16,987,555</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	Pension and Other Employee Benefit Trust Funds
ASSETS	
Cash and cash equivalents	\$ 6,760,356
Accounts receivable	47,682
Investments, at fair value:	
Mutual funds	20,761,028
Guaranteed investment contracts	23,004,370
Land	8,073,546
Commingled collective trusts	150,971,902
Real estate	<u>23,225,078</u>
Total assets	232,843,962
LIABILITIES	
Retiree expense reimbursement payable	<u>2,524,018</u>
NET POSITION	
Restricted for Pension and OPEB Benefits	<u>\$ 230,319,944</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, 2019**

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 14,834,000
Plan members	3,586,386
Reimbursements	179,878
Total contributions	<u>18,600,264</u>
Investment income (loss):	
Net change in fair value of investments	32,738,951
Interest and dividends	3,599,903
	<u>36,338,854</u>
Less investment expenses:	
Investment management fees	1,045,322
Net investment income (loss)	<u>35,293,532</u>
Total additions	<u>53,893,796</u>
Deductions:	
Benefits	24,568,425
Administrative expense	109,515
Total deductions	<u>24,677,940</u>
Change in Net Position	29,215,856
Net Position at Beginning of Year	<u>201,104,088</u>
Net Position at End of Year	<u>\$ 230,319,944</u>

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

The District reports the following major proprietary fund:

The *Water Utility Fund* is the District's fund 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. 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 revenues include 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 (including the State Treasurer's sponsored pooled investment, STIF) 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**

E. Inventories and Prepaid Items

All inventories are valued at cost. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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**

I. Deferred Outflows 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 and OPEB 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 and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs, contributions made to the plan after the measurement date, and differences between projected and actual earnings on pension and OPEB plan investments. These amounts are deferred and included in pension and OPEB 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 and OPEB plan (active employees and inactive employees). No deferred outflows of resources affect the governmental fund financial statements in the current year.

J. Deferred Inflows of Resources

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 a deferred charge on refunding and deferred inflows of resources related to pensions and OPEB 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 inflow of resources related to pension and OPEB results from differences between expected and actual experience and differences between projected and actual earnings on pension and OPEB plan investments. These amounts are deferred and included in pension and OPEB 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 and OPEB 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.

K. 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**

L. 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.

M. Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB 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.

N. 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 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Unrestricted Net Position

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

O. 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, 2019, 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 budgetary control is alternatively achieved through the capital budgeting processes for both CIP (general obligation) and the Clean Water Project.

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 are 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**

B. Deficit Fund Equity

The internal service fund had a fund balance deficit of \$6,537,627, which was a result of increased healthcare costs and outstanding healthcare and other insurance claims. This deficit will be funded by future charges for services and contributions to the internal service fund.

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). The investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and is 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.

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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$19,166,302 of the District's bank balance of \$19,666,302 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 17,199,672
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>1,966,630</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 19,166,302</u>

Cash Equivalents

At December 31, 2019, the District's cash equivalents amounted to \$176,379,993. 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 & Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm

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, 2019:

	<u>December 31, 2019</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Mutual funds	\$ 20,761,028	\$ 20,761,028	\$	\$
Guaranteed investment contracts	23,004,370		5,622,036	17,382,334
Land	<u>8,073,546</u>			<u>8,073,546</u>
Total investments by fair value level	<u>51,838,944</u>	<u>\$ 20,761,028</u>	<u>\$ 5,622,036</u>	<u>\$ 25,455,880</u>
Investments measured at net asset value (NAV):				
Commingled Collective Trusts	150,971,902			
Timberland Investments	9,390,673			
Cornerstone Real Estate	3,018,010			
Madison Realty Capital Debt Fund	4,308,754			
Intercontinental U.S. REIF	<u>6,507,641</u>			
Total investments measured at NAV	<u>174,196,980</u>			
Total Investments Measured at Fair Value	<u>\$ 226,035,924</u>			

The above investments have no rating or maturity.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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 guaranteed investment contracts 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.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Commingled Collective Trusts	\$ 150,971,902	\$	Up to Monthly	Up to 10 Days
Timberland Investments	9,390,673	549,776	Hold to Maturity	Hold to Maturity (15-18 Years Total)
Cornerstone Real Estate	3,018,010	1,445,420	Hold to Maturity	Hold to Maturity (7-9 Years Total)
Madison Realty Capital Debt Fund	4,308,754	374,137	Hold to Maturity	Hold to Maturity (6-9 Years Total)
Intercontinental U.S. REIF	<u>6,507,641</u>		Quarterly	30-60 days
Total Investments Measured at NAV	<u>\$ 174,196,980</u>			

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, 2019, 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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

B. Receivables

Receivables as of year end for the District's individual major funds, nonmajor business-type activities, internal service fund and trust 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	\$ 12,537,727	\$ 11,266,239	\$	\$	\$	\$	\$	\$ 23,803,966
Customers and employees	2,057,045			15,634,573	24,929			17,716,547
Assessments			1,610,252	666,235				2,276,487
Accrued interest			455,140	226,257				681,397
Intergovernmental		5,091,061		313,146				5,404,207
Other	1,178,720		15,891			1,132,927	47,682	2,375,220
Gross receivables	<u>15,773,492</u>	<u>16,357,300</u>	<u>2,081,283</u>	<u>16,840,211</u>	<u>24,929</u>	<u>1,132,927</u>	<u>47,682</u>	<u>52,257,824</u>
Less allowance for uncollectibles	<u>10,620,232</u>		<u>189,861</u>	<u>2,440,958</u>		<u>1,089,662</u>		<u>14,340,713</u>
Net Total Receivables	<u>\$ 5,153,260</u>	<u>\$ 16,357,300</u>	<u>\$ 1,891,422</u>	<u>\$ 14,399,253</u>	<u>\$ 24,929</u>	<u>\$ 43,265</u>	<u>\$ 47,682</u>	<u>\$ 37,917,111</u>

C. Interfund Transfers

Interfund transfers are generally used to supplement revenues of other funds. Interfund transfers for the year ended December 31, 2019 were as follows:

	<u>Transfers In</u>		<u>Total Transfers Out</u>
	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	
Transfers out:			
General Fund	\$ 32,064,862	\$	\$ 32,064,862
Clean Water Project Fund	61,133,657		61,133,657
Water Utility Fund	<u>2,230,807</u>	<u>23,916,153</u>	<u>26,146,960</u>
Total Transfers In	<u>\$ 95,429,326</u>	<u>\$ 23,916,153</u>	<u>\$ 119,345,479</u>

Capital asset contributions totaling \$12,038,456 were made from governmental funds to business-type funds during the year ended December 31, 2019. This activity is included in transfers in the government-wide activity in Exhibit II of the accompanying financial statements.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

D. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 10,206,473	\$ 42,061	\$	\$	\$ 10,248,534
Construction in progress	<u>951,673,069</u>	<u>143,049,463</u>	<u>239,914,189</u>	<u>(12,038,456)</u>	<u>842,769,887</u>
Total capital assets not being depreciated	<u>961,879,542</u>	<u>143,091,524</u>	<u>239,914,189</u>	<u>(12,038,456)</u>	<u>853,018,421</u>
Capital assets being depreciated:					
Buildings	454,244,629	47,003,973	45,448		501,203,154
Machinery and equipment	51,724,314	27,921,915	11,335,259		68,310,970
Infrastructure	<u>709,184,077</u>	<u>167,729,260</u>	<u>136,567</u>		<u>876,776,770</u>
Total capital assets being depreciated	<u>1,215,153,020</u>	<u>242,655,148</u>	<u>11,517,274</u>	<u>-</u>	<u>1,446,290,894</u>
Less accumulated depreciation for:					
Buildings	161,027,354	17,884,352	878		178,910,828
Machinery and equipment	22,142,026	7,073,769	3,964,014		25,251,781
Infrastructure	<u>179,271,526</u>	<u>10,133,484</u>	<u>56,725</u>		<u>189,348,285</u>
Total accumulated depreciation	<u>362,440,906</u>	<u>35,091,605</u>	<u>4,021,617</u>	<u>-</u>	<u>393,510,894</u>
Total capital assets being depreciated, net	<u>852,712,114</u>	<u>207,563,543</u>	<u>7,495,657</u>	<u>-</u>	<u>1,052,780,000</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,814,591,656</u>	<u>\$ 350,655,067</u>	<u>\$ 247,409,846</u>	<u>\$ (12,038,456)</u>	<u>\$ 1,905,798,421</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 10,181,885	\$	\$	\$	\$ 10,181,885
Construction in progress	<u>248,355,006</u>	<u>2,128,930</u>	<u>110,282,871</u>	<u>12,038,456</u>	<u>152,239,521</u>
Total capital assets not being depreciated	<u>258,536,891</u>	<u>2,128,930</u>	<u>110,282,871</u>	<u>12,038,456</u>	<u>162,421,406</u>
Capital assets being depreciated:					
Buildings	133,848,700	33,772,358	2,377,421		165,243,637
Machinery and equipment	34,600,495	16,378,760	11,152,796		39,826,459
Infrastructure	<u>378,712,534</u>	<u>77,145,016</u>	<u>314,637</u>		<u>455,542,913</u>
Total capital assets being depreciated	<u>547,161,729</u>	<u>127,296,134</u>	<u>13,844,854</u>	<u>-</u>	<u>660,613,009</u>
Less accumulated depreciation for:					
Buildings	58,973,896	4,256,864	939,870		62,290,890
Machinery and equipment	21,536,847	5,584,180	8,318,384		18,802,643
Infrastructure	<u>125,266,919</u>	<u>8,638,300</u>	<u>161,276</u>		<u>133,743,943</u>
Total accumulated depreciation	<u>205,777,662</u>	<u>18,479,344</u>	<u>9,419,530</u>	<u>-</u>	<u>214,837,476</u>
Total capital assets being depreciated, net	<u>341,384,067</u>	<u>108,816,790</u>	<u>4,425,324</u>	<u>-</u>	<u>445,775,533</u>
Business-Type Activities Capital Assets, Net	<u>\$ 599,920,958</u>	<u>\$ 110,945,720</u>	<u>\$ 114,708,195</u>	<u>\$ 12,038,456</u>	<u>\$ 608,196,939</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

Governmental activities:	
General government	\$ 4,139,711
Operations	10,766,123
Plant and maintenance	<u>20,185,771</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>35,091,605</u></u>
 Business-type activities:	
Water	\$ 18,304,811
Hydroelectricity	<u>174,533</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u><u>18,479,344</u></u>

Construction Commitments

The District has active construction projects as of December 31, 2019. At year end, the District's commitments with contractors for governmental activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2012 Cedar Newington	\$ 750,712
2012 RH Interceptor	183,187
2013 Green Infrastructure	75,962
2014 WWEP #2012-21	2,088,199
2015 SHCST Construction	90,075,733
Large Diameter Clean	<u>55,612</u>
 Total	 \$ <u><u>93,229,405</u></u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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>
2007 Waste Treatment Facility	\$ 112,191
2009 WPC Rep & Imps	60,896
2013 Oakwood Swr Imp	47,610
2014 HWPCF Sludge Mix	10,334
2014 Kilkenny Water	380,455
2014 TRM-Newington	286,044
2014 WMR Wethersfield	215,316
2015 EH WPCF Compres	3,860,666
2015 Hartford WPCF DAFT Tanks	3,025,101
2015 Various TM D & C	391,347
2015 WMR Bond St Hrt	506,431
2015 Wtr Trmt Fac Up	376,300
2016 Bloomfield Tran	559,427
2016 WMR East Hartford	473,811
2016 WPC Electrical	1,080,464
2017 Hartford WPCF D	8,742,304
2018 Madison Ave. Ar	1,914,681
2018 Paving Program	503,200
2018 Water Main Replacement	18,000
2018 WTF Rehab	582,724
2019 Bloomfield Tran	3,310,815
2019 Water Main Replacement	<u>5,156,743</u>
Total	<u>\$ 31,614,860</u>

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

E. Operating Leases

Total operating lease payments for the year ended December 31, 2019 were \$263,801. 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, 2019, paid by the Water Utility Fund. Other operating lease payments for office equipment totaled \$59,579 for the year ended December 31, 2019. Future operating lease commitments are as follows:

	<u>Amount</u>
2020	\$ 23,498
2021	15,915
2022	13,087
2023	<u>9,591</u>
Total	<u>\$ 62,091</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

F. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019 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	\$ 313,429,633	\$ 96,998,660	\$ 88,456,381	\$ 321,971,912	\$ 20,930,930
Revenue bonds	209,180,000		11,440,000	197,740,000	4,075,000
Premiums	49,069,482	17,589,493	5,131,904	61,527,071	
Total bonds payable	<u>571,679,115</u>	<u>114,588,153</u>	<u>105,028,285</u>	<u>581,238,983</u>	<u>25,005,930</u>
Clean water fund loans	510,928,231	46,067,106	29,776,039	527,219,298	80,613,720
Compensated absences	3,094,578	3,307,026	2,933,495	3,468,109	2,800,278
Net pension liability	28,625,799		4,070,607	24,555,192	
Net OPEB Liability	<u>121,572,956</u>	<u>35,370,502</u>		<u>156,943,458</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,235,900,679</u>	<u>\$ 199,332,787</u>	<u>\$ 141,808,426</u>	<u>\$ 1,293,425,040</u>	<u>\$ 108,419,928</u>
Business-Type Activities:					
General obligation bonds	\$ 245,900,361	\$ 60,876,340	\$ 42,873,612	\$ 263,903,089	\$ 17,544,070
Premiums	22,838,290	11,115,121	3,214,561	30,738,850	
Total bonds payable	<u>268,738,651</u>	<u>71,991,461</u>	<u>46,088,173</u>	<u>294,641,939</u>	<u>17,544,070</u>
Drinking water fund loans	53,100,633	2,393,840	3,504,887	51,989,586	5,474,112
Compensated absences	3,174,752	2,792,908	2,628,320	3,339,340	2,396,125
Claims and judgments	6,181,157	17,651,151	17,473,769	6,358,539	1,149,008
Settlement liability		7,900,000		7,900,000	5,913,959
Net pension liability	39,634,385		6,073,677	33,560,708	
Net OPEB Liability	<u>168,326,103</u>	<u>46,175,723</u>		<u>214,501,826</u>	
Total Business-Type Activities Long-Term Liabilities	<u>\$ 539,155,681</u>	<u>\$ 148,905,083</u>	<u>\$ 75,768,826</u>	<u>\$ 612,291,938</u>	<u>\$ 32,477,274</u>

For the governmental activities, pension liability, OPEB liability 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	\$ 321,971,912
Business-type activities	Various	<u>263,903,089</u>
		<u>\$ 585,875,001</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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>
2020	\$ 20,930,930	\$ 13,671,692	\$ 17,544,070	\$ 11,100,857
2021	20,176,780	12,954,174	17,293,220	10,425,900
2022	20,252,793	11,966,434	17,337,208	9,573,143
2023	19,273,166	11,020,423	17,086,834	8,734,626
2024	19,091,978	10,132,153	17,068,022	7,923,177
2025-2029	97,444,701	37,983,210	84,140,299	28,488,356
2030-2034	85,671,786	18,283,427	68,793,214	12,883,311
2035-2039	36,839,778	4,267,926	24,640,222	2,283,405
2040	2,290,000	91,600		
Total	\$ <u>321,971,912</u>	\$ <u>120,371,039</u>	\$ <u>263,903,089</u>	\$ <u>91,412,775</u>

Authorized but Unissued Bonds

The total of authorized but unissued bonds at December 31, 2019 is \$794,194,647. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

Unspent Bond Proceeds

As of December 31, 2019, the District reported unspent bond proceeds of \$12,442,587 and \$11,565,329 in governmental and business-type activities, respectively. These amounts were included as a component of net investment in capital assets in the statement of net position.

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>197,740,000</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

	Governmental Activities	
	Principal	Interest
2020	\$ 4,075,000	\$ 9,588,500
2021	4,225,000	9,384,750
2022	4,355,000	9,205,750
2023	4,525,000	8,988,000
2024	4,700,000	8,761,750
2025-2029	26,650,000	40,216,250
2030-2034	46,785,000	31,914,000
2035-2039	76,965,000	16,215,400
2040-2042	<u>25,460,000</u>	<u>2,587,500</u>
Total	<u>\$ 197,740,000</u>	<u>\$ 136,861,900</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 interim 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:

	Governmental Activities	
	Principal	Interest
2020	\$ 30,080,599	\$ 8,712,629
2021	30,080,599	8,111,017
2022	29,468,457	7,514,577
2023	29,310,318	6,927,096
2024	29,193,518	6,341,474
2025-2029	142,900,696	23,015,794
2030-2034	113,820,096	9,746,934
2035-2039	<u>44,564,129</u>	<u>1,421,909</u>
	<u>\$ 449,418,412</u>	<u>\$ 71,791,430</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

	Business-Type Activities	
	Principal	Interest
2020	\$ 3,545,291	\$ 969,863
2021	3,304,619	900,321
2022	3,283,070	834,477
2023	3,234,243	768,961
2024	3,165,883	705,257
2025-2029	15,829,415	2,577,898
2030-2034	14,601,050	1,034,346
2035-2039	3,097,194	79,983
	<u>\$ 50,060,765</u>	<u>\$ 7,871,106</u>

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

	Governmental Activities	
	Principal	Interest
2020	\$ 50,533,121	\$ 1,130,732
2021	27,267,765	596,044
	<u>\$ 77,800,886</u>	<u>\$ 1,726,776</u>

	Business-Type Activities	
	Principal	Interest
2020	\$ 1,928,821	\$ 15,627

General Obligation Bonds - Current Refunding

On August 8, 2019, the District issued \$49,305,000 General Obligation Refunding Bonds Issue of 2019, Series B with interest rates ranging from 2.375%-5%, to refund outstanding bonds with interest rates ranging from 4%-5%. The bonds refunded were \$57,600,000 in principal amount of outstanding 2010 Series A General Obligation Bonds. The net proceeds of \$57,870,772 (after payment of delivery date expenses of \$353,250) were deposited with the Trustee in an escrow account which was used on August 26, 2019 to fully redeem the outstanding 2010 Series A General Obligation Bonds. The transaction generated a cash flow savings of \$7,631,652 and a net present value savings of \$7,189,452.

Also on August 8, 2019, the District issued \$32,070,000 General Obligation Refunding Bonds Issue of 2019, Series C with interest rates ranging from 4%-5%, to refund outstanding bonds with interest rates ranging from 4%-5%. The bonds refunded were \$37,385,000 in principal amount of outstanding 2010 Series B General Obligation Bonds. The net proceeds of \$37,569,030 (after payment of delivery date expenses of \$241,199) were deposited with the Trustee in an escrow account, which was used on August 26, 2019 to fully redeem the outstanding 2010 Series B General Obligation Bonds. The transaction generated a cash flow savings of \$8,184,079 and a net present value savings of \$6,640,268.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Debt Limitation

The District's debt indebtedness does not exceed the debt limitations required by its Charter as reflected in the following schedule:

<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
\$ 1,284,605,245	\$ 923,986,894	\$ 360,618,351

G. Fund Balance

The components of fund balance for the governmental funds at December 31, 2019 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	\$ 487,010	\$	\$	\$	\$ 487,010
Inventory	2,916,842				2,916,842
Restricted for:					
Debt service		2,744,874			2,744,874
Committed to:					
Debt service			93,362,137		93,362,137
Facility and building improvements				7,124,915	7,124,915
Unassigned	<u>24,699,867</u>				<u>24,699,867</u>
Total Fund Balances	<u>\$ 28,103,719</u>	<u>\$ 2,744,874</u>	<u>\$ 93,362,137</u>	<u>\$ 7,124,915</u>	<u>\$ 131,335,645</u>

There were no outstanding encumbrances at December 31, 2019.

4. EMPLOYEE RETIREMENT PLAN

A. Plan Description and Benefits Provided

The District has an employee retirement system with a pension plan that was 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 plan 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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

At January 1, 2019, membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	620
Terminated members entitled to but not yet receiving benefits	43
Current active members	<u>466</u>
Total Members	<u><u>1,129</u></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 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, employees hired between October 4, 2015 and June 5, 2018 are required to contribute 7% of their annual covered salary, and employees hired after June 5, 2018 are required to contribute 7.5% of their annual covered salary.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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, 2019:

<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%

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.79%. 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, 2019 were as follows:

Total pension liability	\$ 284,902,241
Plan fiduciary net position	<u>226,786,341</u>
Net Pension Liability	<u>\$ 58,115,900</u>
Plan fiduciary net position as a percentage of the total pension liability	79.60%

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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019, 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	7.00%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Combined Healthy Mortality table blended 75% Blue Collar, 25% White Collar, with generational projection per Scale AA
Actuarial cost method	Entry Age Normal

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, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Core Fixed Income	2.37%
Global Funds	0.80%
Large Cap U.S. Equities	4.72%
Mid Cap U.S. Equities	5.19%
Small Cap U.S. Equities	5.92%
Developed Foreign Equities	6.12%
Real Estate (REITS)	5.43%
Private Real Estate Property	3.85%
Commodities	4.06%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 discount rate at December 31, 2019 decreased 0.25% to 7.00% from 7.25% at December 31, 2018.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Changes in the Net Pension Liability

	Metropolitan District Employees' Retirement System		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of January 1, 2019	\$ 269,964,668	\$ 201,704,484	\$ 68,260,184
Changes for the year:			
Service cost	4,201,054		4,201,054
Interest on total pension liability	19,227,865		19,227,865
Changes of benefit terms	350		350
Differences between expected and actual experience	2,768,238		2,768,238
Changes in assumptions	6,966,524		6,966,524
Employer contributions		5,688,000	(5,688,000)
Member contributions		2,430,709	(2,430,709)
Net investment gain (loss)		35,293,532	(35,293,532)
Benefit payments, including refund of employee contributions	(18,226,458)	(18,226,458)	-
Administrative expenses		(103,926)	103,926
Net changes	<u>14,937,573</u>	<u>25,081,857</u>	<u>(10,144,284)</u>
Balances as of December 31, 2019	\$ <u>284,902,241</u>	\$ <u>226,786,341</u>	\$ <u>58,115,900</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 7.00%, 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 or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's Net Pension Liability \$	88,960,019	\$ 58,115,900	\$ 31,871,822

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Pension Expense and Deferred Outflows of Resource and Deferred Inflows of Resource Related to Pensions

For the year ended December 31, 2019, the District recognized pension expense of \$11,833,059, which is recorded within the Water Utility Fund, Hydroelectric Development Project Fund and the Governmental Activities of the District in the amounts of \$6,811,332, \$22,010 and \$4,999,717, respectively. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Metropolitan District Employees' Retirement System	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 317,117	\$ 7,296,517
Changes of assumptions		6,675,624
Net difference between projected and actual earnings on pension plan investments	<u>7,305,204</u>	<u> </u>
Total	<u><u>\$ 7,622,321</u></u>	<u><u>\$ 13,972,141</u></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 Ending December 31,</u>	
2020	\$ 2,511,594
2021	1,555,646
2022	4,228,682
2023	<u>(1,946,102)</u>
	<u><u>\$ 6,349,820</u></u>

F. 457(f) Nonqualified Deferred Compensation Plan

The District has a 457(f) Nonqualified Deferred Compensation Plan for two 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 2019.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

	Pension Trust Fund	OPEB Trust Fund	Total
Additions:			
Contributions:			
Employer	\$ 5,688,000	\$ 9,146,000	\$ 14,834,000
Plan members	2,430,709	1,155,677	3,586,386
Reimbursements		179,878	179,878
Total contributions	<u>8,118,709</u>	<u>10,481,555</u>	<u>18,600,264</u>
Investment earnings:			
Net change in fair value of investments	32,738,951		32,738,951
Interest and dividends	3,599,903		3,599,903
Total investment earnings (loss)	<u>36,338,854</u>	-	<u>36,338,854</u>
Less investment expenses:			
Investment management fees	1,045,322		1,045,322
Net investment earnings (loss)	<u>35,293,532</u>	-	<u>35,293,532</u>
Total additions (reductions)	<u>43,412,241</u>	<u>10,481,555</u>	<u>53,893,796</u>
Deductions:			
Benefits	18,226,458	6,341,967	24,568,425
Administrative expense	103,926	5,589	109,515
Total deductions	<u>18,330,384</u>	<u>6,347,556</u>	<u>24,677,940</u>
Change in Net Position	25,081,857	4,133,999	29,215,856
Net Position at Beginning of Year	<u>201,704,484</u>	<u>(600,396)</u>	<u>201,104,088</u>
Net Position at End of Year	<u>\$ 226,786,341</u>	<u>\$ 3,533,603</u>	<u>\$ 230,319,944</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 are 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 postemployment benefits plan rests with the Personnel, Pension and Insurance Committee (PPI), which consists of 11 members.

Expenses for postemployment benefits were paid out of the OPEB trust fund during the fiscal year ended December 31, 2019. The plan does not issue a stand-alone financial report.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

At January 1, 2018, plan membership consisted of the following:

	Retiree Health Plan
Retired members	480
Spouses of retired members	318
Active plan members	<u>596</u>
Total Participants	<u><u>1,394</u></u>

Funding Policy

The Retirement Plan is funded from various sources, including

- (a) employee mandatory contribution (employees hired before June 5, 2018 contribute 5% of regular compensation and new employees hired after June 5, 2018 contribute 7.5% of regular compensation);
- (b) Actuarially determined employer contribution as based upon different presumptions (ranged from \$5 million to \$6 million per annum);
- (c) Investment returns from discretionary funds including equity, lumber and real estate assets;
- (d) Interest paid by Aetna for use of monies in financial and insurance business

As of January 1, 2019, all employees also contribute 1.0% of regular compensation into an OPEB (Other Post-Retirement Benefits) fund. This fund is typically depleted by the end of the calendar year and is used to support medical costs. Since the early 1990's, the District has embraced "self-insurance."

Prior to June 5, 2018, the District also offered post-retirement life insurance to new bargaining unit retirees. The coverage was partially funded by retiree monthly contributions and primarily by the District. Since 2015, the non-Unionized group was not provided any post-retirement life insurance.

For bargaining unit retirees after June 5, 2018, the District has agreements to "buy-out" the base amount (\$5,000) and the new retiree has the option of continuing any optional life insurance but at the full group rate annually adjusted. The buy-out of the base coverage is supported by operating funds.

Finally, the District has reimbursed the cost of Medicare Part B through the retiree's monthly pension distribution. Effective for new employees hired after June 5, 2018, the District will not reimburse this cost when the new employee ultimately retires. The reimbursement cost is covered through operating funds.

Basis of Accounting

The OPEB Trust Fund's financial statements are prepared on the accrual basis of accounting. Employees and employer contributions are recognized 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 expensed.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Investments

Investment Policy

The OPEB investment policy is the responsibility of the Personnel, Pension and Insurance Committee (PPI). It is expected that as the Trust becomes funded PP&I will adopt an investment policy. 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, 2019, 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.

Net OPEB Liability of the District

The District's net OPEB liability was measured as of December 31, 2019. The components of the net OPEB liability of the District at December 31, 2019 were as follows:

Total OPEB liability	\$	374,978,887
Plan fiduciary net position		<u>3,533,603</u>
Net OPEB Liability	\$	<u><u>371,445,284</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		0.94%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, 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	5.50% - 4.40% over 75 years

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100 %	0.27 %

Discount Rate

The discount rate used to measure the total OPEB liability was 2.74% and is based on the 20 Year Tax-Exempt Municipal Bond Yield. 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 not 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, 2019 decreased 1.36% to 2.74% from 4.10% at December 31, 2018.

Changes in Net OPEB Liability

<u>Metropolitan District Employees’ Retirement System</u>			
	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances as of January 1, 2019	\$ 289,298,663	\$ (600,396)	\$ 289,899,059
Changes for the year:			
Service cost	6,698,208		6,698,208
Interest on total OPEB liability	12,024,959		12,024,959
Changes in assumptions	72,422,368		72,422,368
Employer contributions		9,146,000	(9,146,000)
Member contributions		1,155,677	(1,155,677)
Reimbursements		179,878	(179,878)
Benefit payments, including refund of employee contributions	(5,465,311)	(6,341,967)	876,656
Administrative expenses		(5,589)	5,589
Net changes	<u>85,680,224</u>	<u>4,133,999</u>	<u>81,546,225</u>
Balances as of December 31, 2019	<u>\$ 374,978,887</u>	<u>\$ 3,533,603</u>	<u>\$ 371,445,284</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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 or 1 percentage point higher than the current discount rate:

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Net OPEB liability	\$ 442,265,326	\$ 371,445,284	\$ 315,997,515

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 or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (4.50% Decreasing to 3.40%)	Healthcare Cost Trend Rates (5.50% Decreasing to 4.40%)	1% Increase (6.50% Decreasing to 5.40%)
Net OPEB liability	\$ 303,286,051	\$ 371,445,284	\$ 461,280,471

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resource Related to OPEB

For the year ended December 31, 2019, the District recognized OPEB expense of \$26,112,583. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Metropolitan District Employees' Retirement System	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$	\$ 8,488,180
Changes of assumptions	32,039,630	56,678,375
Net difference between projected and actual earning on OPEB plan investments		32,780
Total	<u>\$ 32,039,630</u>	<u>\$ 65,199,335</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

<u>Year Ending December 31,</u>	
2020	\$ 7,900,579
2021	7,900,579
2022	7,900,582
2023	<u>9,457,965</u>
	<u>\$ 33,159,705</u>

6. OTHER INFORMATION

A. Clean Water Project

The Clean Water Project addresses 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 Federal Clean Water Act goals. The project is set forth in a Long-Term Control Plan (the LTCP), which is periodically revised and is subject to approval by DEEP. The District's goal is to achieve compliance through efficient improvements to its system, maximizing funding of the project with state and federal grants and the use of state and federal low-cost loans, with the remainder funded with issuance of its own bonds. Project financing is expected to be repaid with the Clean Water Project Charge (previously, the Special Sewer Service Surcharge) added to customers' water bills.

Evolution of the Clean Water Project

As originally conceived in 2005, and as set forth in the initial LTCP, the Clean Water Project was comprised of three phases, estimated to cost approximately \$2.1 billion, 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. The original concept relied on sewer separation projects, control of inflow and infiltration, and capacity increases and other improvements to the District's treatment plants.

An updated LTCP was submitted to DEEP in 2012 and revised through December 2014. The revised plan de-emphasized sewer separation projects, which proved expensive in downtown areas, and added a large storage and conveyance tunnel in south Hartford (the South Tunnel). It also featured a large storage and conveyance tunnel to the northern part of Hartford (the North Tunnel) and connecting to the South Tunnel which was intended to both capture overflows in the northern and central part of the city and also to eliminate overflows into the North Branch of the Park River. This resubmittal as approved in 2015 set out a completion of the project by 2029.

THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

The LTCP was most recently revised and resubmitted to Connecticut DEEP in May 2020. The resubmitted LTCP introduces the concept of an “Integrated Plan”, which recognizes the District’s ongoing capital improvement and maintenance program and also furthers compliance with the governmental orders, with remedies such as replacing aged and damaged pipe and other system components, coupled with cleaning and other maintenance and rehabilitation activities, thereby increasing pipe capacity to reduce overflows. The concept and guidelines for Integrated Planning were introduced and accepted by the EPA in 2012 for communities dealing with CSO compliance issues while also maintaining existing aging infrastructure in an affordable manner. Managing this program balances new capital expenditures with maintenance expenditures, with priorities addressed to reduce, insofar as practical, costly emergency repairs of sewer collapses and other problems. The resubmitted LTCP retains the South Tunnel, which is in construction, and other related improvements, which are well underway, but replaces the North Tunnel concept with a shortened downtown area tunnel and capacity improvements in the northern part of Hartford. The compliance efforts are integrated with the ongoing capital maintenance and rehabilitation program and span a 40-year term. It contemplates a compliance effort over a longer term, combines the Clean Water Project with other capital improvements that had not been considered part of the project, and continues to finance the combined effort with the Clean Water Project Charge, all with a view to achieving compliance with the governmental orders efficiently and within the context of the District’s other capital improvements while implementing a more affordable economic model for the rate payers.

The resubmitted LTCP sets out several compliance options, which incorporate timing and sequencing alternatives. The option preferred by the District would achieve incremental improvements in the coming years and full compliance in 2058. Other options would achieve compliance earlier, but have overlapping elements. The District has deferred designing specific elements of the compliance options until the LTCP is approved. The District cannot predict when the resubmitted LTCP will be approved, or its final content.

Cost Estimates

Because the resubmitted LTCP incorporates an Integrated Plan, the nature of the project and its overall cost is not directly comparable to the LTCP as currently approved. Current estimates to complete the proposed LTCP Update/Integrated Plan are that the Clean Water Project Charge would increase to approximately \$7.40 by 2026, and remain at least at that level for a considerable period as the ongoing capital maintenance and rehabilitation program continues. The primary reasons for the increase in the Clean Water Project Charge are inflation of costs to complete the LTCP Update over a longer schedule and the inclusion of asset management projects, such as sewer lining, which previously were contemplated to be paid for through Ad Valorem taxes. As a result, the future increases to Ad Valorem taxes will be mitigated while the estimated total cost to the rate payers for both the Clean Water Project Charge and Ad Valorem remains about the same on average. This assumes a continued level of federal and state support in the form of grants and low-cost loans consistent with the support provided to date. Other options would increase the surcharge, particularly those options that accelerate work or change the sequencing, as would a change in the level of federal and state funding support. The District remains mindful of maintaining an overall level of affordability for rate payers of the District, and in particular the residents of Hartford, which may lead to future adjustment in the nature of the project and its cost and financing. No assurance can be given as to the final cost of the project or the precise composition of its funding.

THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

Referendum Requirements

Generally speaking, appropriations for the cost of large projects must be approved by referendum vote of the electors of the Member Municipalities. Effective October 1, 2015, P.A. 15-114 excludes from the referendum requirement appropriations funded by federal or state grants. An \$800 million appropriation for the Clean Water Project was approved at referendum on November 7, 2006. An appropriation for an additional \$800 million for the Clean Water Project was approved at referendum on November 6, 2012. An appropriation of \$140 million for a grant, not requiring a referendum, was approved by the District Board on October 5, 2016. The District expects to appropriate further funds for the project without a referendum for portions paid for by state grants.

The District expects that the treatment plant work and the South Tunnel and related improvements will be completed within existing appropriations, assuming the ongoing South Tunnel work proceeds within contemplated cost estimates and that expected grants are received. Some portion of the Integrated Plan work in the resubmitted LTCP may be undertaken within existing appropriations if future grants are received for eligible projects. Full compliance with the resubmitted LTCP will likely require submission of one or more further appropriations for approval by electors at referendum. The District has made no determination as to when an additional referendum will be held.

The District cannot give any assurances as to when the Clean Water Project will be completed or its total cost as it is highly dependent on the availability of grants and loan from the state.

The District has issued, to date, \$225.0 million in Clean Water Project Revenue Bonds, \$197.74 million of which were outstanding as of December 31, 2019. The Clean Water Project 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 District is self-insured for healthcare, 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. Workers' Compensation Trust administers the District's workers' compensation program for which the District pays a fee. General and auto liability claims are 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 \$6,358,539 for the self-insurance fund reported at December 31, 2019 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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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:

		<u>Accrued Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Accrued Liability End of Fiscal Year</u>
2018	\$	6,231,742	\$ 14,556,902	\$ 14,607,487	\$ 6,181,157
2019		6,181,157	17,651,151	17,473,769	6,358,539

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.

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 METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

The lawsuit asserted claims for breach of contract, breach of good faith and fair dealing and in the alternative, unjust enrichment. In June 2018, the MDC filed a Motion to Strike on several grounds, including failure to sufficiently allege the existence of a contract, the MDC is entitled to governmental immunity and the claim is untimely based on the statute of limitations. The Court held that the plaintiff did sufficiently plead the existence of a contract and that the claim was not untimely. However, the Court did limit the time period for recoverable damages based on a six year statute of limitations. This reduced the relevant period for possible damages to March 2012 to October 2014. Additionally, the Court granted the MDC's motion to strike for the plaintiff's unjust enrichment and breach of the covenant of good faith and fair dealing claims.

In January 2020, the MDC and plaintiffs engaged in mediation and reached a proposed settlement of the class action suit. The MDC District Board approved the Settlement Agreement on February 10, 2020, and the Settlement Agreement has been executed by both parties. On April 21, 2020, the trial court granted a motion for preliminary approval of a class action settlement. A hearing is scheduled for September 3, 2020 for final approval of the proposed settlement. The basic terms of the settlement are that customers that paid the non-member town surcharge from March 2012 to October 2014 will either receive a credit in the amount of 103% of the surcharges paid on their current MDC water account or, if they are no longer an MDC water customer, receive a payment for 100% of the amount of the surcharges paid by the former customer. The total settlement value of all claims and attorney's fees is capped at \$7,680,000. This amount is included in the settlement liability and expense in the Water Utility fund. Unclaimed amounts by former MDC customers will be returned to the MDC.

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.

D. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. The District derives a significant portion of its revenues from customers in markets currently impacted by outbreak. While the Company has not experienced any negative business impacts, the situation creates uncertainty about the impact on future revenues that might be generated from these markets.



**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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxation:				
Hartford	\$ 12,372,000	\$ 12,372,000	\$ 12,372,000	\$ -
East Hartford	5,775,200	5,775,200	5,775,200	-
Newington	4,318,900	4,318,900	4,318,900	-
Wethersfield	3,979,400	3,979,400	3,979,400	-
Windsor	4,274,900	4,274,900	4,274,900	-
Bloomfield	3,488,600	3,488,600	3,488,600	-
Rocky Hill	2,909,600	2,909,600	2,909,600	-
West Hartford	11,034,500	11,034,500	11,034,500	-
Total taxation	<u>48,153,100</u>	<u>48,153,100</u>	<u>48,153,100</u>	<u>-</u>
Sewer user fees:				
Bradley Airport - Hamilton - East Granby	1,057,200	1,057,200	937,964	(119,236)
Customer service charge	6,641,600	6,641,600	6,268,836	(372,764)
Nonmunicipal - tax exempt	5,549,900	5,549,900	5,668,748	118,848
Hi-flow charges	2,559,900	2,559,900	2,518,597	(41,303)
Hi-strength	988,000	988,000	701,603	(286,397)
Penalties	400,000	400,000	1,297,963	897,963
Manchester	182,800	182,800	139,022	(43,778)
South Windsor	24,100	24,100	8,761	(15,339)
Farmington	129,500	129,500		(129,500)
Cromwell	7,900	7,900	9,090	1,190
Total	<u>17,540,900</u>	<u>17,540,900</u>	<u>17,550,584</u>	<u>9,684</u>
Sewer user rebates			<u>(1,879,586)</u>	<u>(1,879,586)</u>
Total sewer user fees	<u>17,540,900</u>	<u>17,540,900</u>	<u>15,670,998</u>	<u>(1,869,902)</u>
Intergovernmental:				
Sludge handling	4,928,400	4,928,400	5,483,314	554,914
Household hazardous waste	30,000	30,000	31,394	1,394
Total intergovernmental	<u>4,958,400</u>	<u>4,958,400</u>	<u>5,514,708</u>	<u>556,308</u>
Investment income	<u>600,000</u>	<u>600,000</u>	<u>734,871</u>	<u>134,871</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other revenues:				
Bill jobs	\$ 5,000	\$ 5,000	\$ 52,352	\$ 47,352
Developers	575,000	575,000	141,622	(433,378)
Payroll additives and indirect costs			4,737	4,737
Property rents	153,800	153,800	126,651	(27,149)
Septage/glycol discharge fees	1,200,000	1,200,000	911,933	(288,067)
Miscellaneous	14,574,600	14,574,600	12,636,063	(1,938,537)
Total other revenues	<u>16,508,400</u>	<u>16,508,400</u>	<u>13,873,358</u>	<u>(2,635,042)</u>
Total revenues	<u>87,760,800</u>	<u>87,760,800</u>	<u>83,947,035</u>	<u>(3,813,765)</u>
Other financing sources:				
Transfers in	<u>3,500,000</u>	<u>3,500,000</u>		<u>(3,500,000)</u>
Total Revenues and Other Financing Sources	<u>91,260,800</u>	<u>91,260,800</u>	<u>83,947,035</u>	<u>(7,313,765)</u>
Expenditures:				
General government:				
District Board	193,800	203,600	165,149	38,451
Executive office	465,600	465,600	442,933	22,667
Legal	846,700	846,700	799,805	46,895
Human resources	746,800	746,800	693,489	53,311
Information systems	2,286,300	2,286,400	2,276,308	10,092
Finance	2,332,900	2,376,400	2,412,594	(36,194)
Total general government	<u>6,872,100</u>	<u>6,925,500</u>	<u>6,790,278</u>	<u>135,222</u>
Engineering and planning	<u>944,100</u>	<u>944,100</u>	<u>764,599</u>	<u>179,501</u>
Operations:				
Environmental health and safety	472,800	472,900	452,733	20,167
Command Center	1,399,500	1,399,600	1,388,037	11,563
Chief Operating office	370,900	370,800	271,085	99,715
Customer service	1,041,300	998,000	923,452	74,548
Operations	2,680,500	2,755,600	2,705,809	49,791
Total operations	<u>5,965,000</u>	<u>5,996,900</u>	<u>5,741,116</u>	<u>255,784</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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Plants and maintenance:				
Water pollution control	\$ 17,462,200	\$ 17,462,200	\$ 15,571,291	\$ 1,890,909
Laboratory services	852,300	852,300	820,528	31,772
Maintenance	5,363,600	5,363,100	4,984,899	378,201
Total plants and maintenance	<u>23,678,100</u>	<u>23,677,600</u>	<u>21,376,718</u>	<u>2,300,882</u>
Employee benefits and other:				
Employee benefits	12,828,600	12,828,600	12,766,332	62,268
General insurance	1,424,100	1,424,100	1,368,673	55,427
Special agreements and programs	1,479,300	1,469,500	1,164,125	305,375
Total employee benefits and other	<u>15,732,000</u>	<u>15,722,200</u>	<u>15,299,130</u>	<u>423,070</u>
Contingency	<u>4,000,000</u>	<u>4,000,000</u>		<u>4,000,000</u>
Debt service:				
Principal	21,817,000	21,742,000	20,752,213	989,787
Interest	11,581,000	11,581,000	11,312,649	268,351
Legal services	671,500	671,500	362,260	309,240
Total debt service	<u>34,069,500</u>	<u>33,994,500</u>	<u>32,427,122</u>	<u>1,567,378</u>
Total expenditures	<u>91,260,800</u>	<u>91,260,800</u>	<u>82,398,963</u>	<u>8,861,837</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	1,548,072	\$ <u>1,548,072</u>

Budgetary expenditures are different than GAAP expenditures because:

Expenditures not included in the budget, consisting primarily of:

The District does not budget for allowance adjustments	565,774
The District does not budget for year end payroll accruals	287,418
The District does not budget for year end expense accruals	<u>(589,488)</u>

Net Change in Fund Balance as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds

\$ 1,811,776

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:						
Service cost	\$ 4,201,054	4,088,615	\$ 3,989,674	\$ 4,121,036	\$ 3,977,923	\$ 3,534,272
Interest	19,227,865	18,306,742	18,000,653	17,634,276	17,230,210	16,861,364
Changes of benefit terms	350		258,130			
Differences between expected and actual experience	2,768,238	8,180,799	(605,374)	159,570	(348,426)	
Changes of assumptions	6,966,524				7,992,450	
Benefit payments, including refunds of member contributions	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,437,612)
Net change in total pension liability	<u>14,937,573</u>	<u>12,827,380</u>	<u>4,343,792</u>	<u>5,964,669</u>	<u>13,007,616</u>	<u>4,958,024</u>
Total pension liability - beginning	<u>269,964,668</u>	<u>257,137,288</u>	<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>284,902,241</u>	<u>269,964,668</u>	<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	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000
Contributions - member	2,430,709	2,280,859	2,343,416	2,247,072	2,255,825	2,160,885
Net investment income (loss)	35,293,532	(9,180,721)	36,679,882	13,824,703	3,637,492	13,864,280
Other income						102,351
Benefit payments, including refunds of member contributions	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,448,154)
Administrative expense	(103,926)	(67,530)	(119,313)	(109,687)	(35,213)	(46,896)
Special Item			(9,271,439)			
Net change in plan fiduciary net position	<u>25,081,857</u>	<u>(18,216,168)</u>	<u>18,633,255</u>	<u>6,373,299</u>	<u>(3,986,437)</u>	<u>6,550,466</u>
Plan fiduciary net position - beginning	<u>201,704,484</u>	<u>219,920,652</u>	<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>226,786,341</u>	<u>201,704,484</u>	<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>\$ 58,115,900</u>	<u>68,260,184</u>	<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	79.60%	74.72%	85.53%	79.63%	78.97%	85.07%
Covered payroll	\$ 44,912,213	42,779,907	\$ 42,096,151	\$ 43,972,101	\$ 42,655,811	\$ 41,460,234
Net pension liability as a percentage of covered payroll	129.40%	159.56%	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**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 6,756,345	\$ 5,647,479	\$ 5,376,378	\$ 6,361,424	\$ 5,805,223	\$ 5,857,601	\$ 5,804,428	\$ 5,347,556	\$ 15,050,472	\$ 8,809,272
Contributions in relation to the actuarially determined contribution	<u>5,688,000</u>	<u>6,500,000</u>	<u>6,300,000</u>	<u>6,361,424</u>	<u>6,000,000</u>	<u>5,918,000</u>	<u>5,881,000</u>	<u>5,822,098</u>	<u>4,633,200</u>	<u>2,863,964</u>
Contribution Deficiency (Excess)	<u>\$ 1,068,345</u>	<u>\$ (852,521)</u>	<u>\$ (923,622)</u>	<u>\$ -</u>	<u>\$ (194,777)</u>	<u>\$ (60,399)</u>	<u>\$ (76,572)</u>	<u>\$ (474,542)</u>	<u>\$ 10,417,272</u>	<u>\$ 5,945,308</u>
Covered payroll	\$ 44,912,213	\$ 42,779,907	\$ 42,096,151	\$ 43,972,101	\$ 42,655,811	\$ 41,460,234	\$ 38,773,923	\$ 41,341,171	\$ 43,872,205	\$ 45,271,276
Contributions as a percentage of covered payroll	12.66%	15.19%	14.97%	14.47%	14.07%	14.27%	15.17%	14.08%	10.56%	6.33%

Notes to Schedule

Valuation date: January 1, 2019
 Measurement date: December 31, 2019
 Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which the 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 20 years
 Asset valuation method 5-year asset average, spreading investment gains and losses
 Inflation 2.75%
 Salary increases 3.50%
 Investment rate of return 7.00%
 Retirement age Aged based rates
 Turnover Aged based rates
 Mortality RP-2000 Combined Healthy Mortality table blended 75% Blue Collar, 25% White Collar, with generational projection per Scale AA

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	17.79%	(4.22%)	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 THREE FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:			
Service cost	\$ 6,698,208	\$ 8,531,854	\$ 7,730,316
Interest	12,024,959	11,015,391	10,961,483
Differences between expected and actual experience		14,146,966	
Changes of assumptions	72,422,368	(53,399,384)	16,177,425
Benefit payments	(5,465,311)	(5,313,360)	(5,564,433)
Net change in total OPEB liability	<u>85,680,224</u>	<u>(25,018,533)</u>	<u>29,304,791</u>
Total OPEB liability - beginning	<u>289,298,663</u>	<u>314,317,196</u>	<u>285,012,405</u>
Total OPEB liability - ending	<u>374,978,887</u>	<u>289,298,663</u>	<u>314,317,196</u>
Plan fiduciary net position:			
Contributions - employer	9,146,000	5,000,000	5,000,000
Contributions - member	1,155,677	869,481	804,712
Reimbursements	179,878	241,355	451,135
Benefit payments	(6,341,967)	(6,185,680)	(6,595,450)
Administrative expense	(5,589)		
Special item			(26,346,000)
Net change in plan fiduciary net position	<u>4,133,999</u>	<u>(74,844)</u>	<u>(26,685,603)</u>
Plan fiduciary net position - beginning	<u>(600,396)</u>	<u>(525,552)</u>	<u>26,160,051</u>
Plan fiduciary net position - ending	<u>3,533,603</u>	<u>(600,396)</u>	<u>(525,552)</u>
Net OPEB Liability - Ending	<u>\$ 371,445,284</u>	<u>\$ 289,899,059</u>	<u>\$ 314,842,748</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.94%	-0.21%	-0.17%
Covered payroll	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483
Net OPEB liability as a percentage of covered payroll	860.95%	665.89%	723.19%

Notes to Schedule:

Discount rate changes: The rate at December 31, 2019 decreased 1.36% to 2.74% from 4.10% at December 31, 2018.

* 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</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
Contributions in relation to the actuarially determined contribution	<u>9,146,000</u>	<u>5,000,000</u>	<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>
Contribution deficiency (excess)	<u>\$ (9,146,000)</u>	<u>\$ (5,000,000)</u>	<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>
Covered payroll	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483	\$ 41,000,000	\$ 41,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ N/A	\$ N/A
Contributions as a percentage of covered payroll	21.20%	11.48%	11.48%	12.20%	12.20%	13.97%	16.28%	19.83%	N/A	N/A

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

Notes to Schedule

Valuation date: January 1, 2018

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 percentage of payroll, closed
Asset valuation method	5-year smoothed market
Inflation	2.75%
Healthcare cost trend rates	5.50% - 4.40% over 75 years
Salary increases	3.5%, average, including inflation
Investment rate of return	4.00%
Retirement age	Expected retirement rates for employees begin at 2% for employees aged 50-55, up to 100% at age 70.
Mortality	RP-2000 Combined Healthy and Disabled Mortality, Male and Female, with generational projection per Scale AA.

**THE METROPOLITAN DISTRICT
SCHEDULE OF INVESTMENT RETURNS**

LAST THREE FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	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, 2019**

<u>Year</u>	<u>Total Assessments Billed</u>	<u>Assessments Receivable January 1, 2019</u>	<u>Assessments Billed</u>	<u>Assessment Collections</u>	<u>Assessments Receivable December 31, 2019</u>	<u>Interest Collected</u>
2000	\$ 1,032,647	\$ 6,070	\$	\$	\$ 6,070	\$
2001	693,600				-	
2002	1,349,465	13,056			13,056	
2003	1,843,321	41,742		257	41,485	204
2004	1,155,681	28,186		702	27,484	342
2005	804,622	226,346		415	225,931	42,806
2006	1,786,053	17,722		1,594	16,128	305
2007	1,120,400	8,763			8,763	
2008	1,108,907	50,249		15,022	35,227	2,634
2009	568,934	29,445		4,909	24,536	1,562
2010	895,500	234,985		33,423	201,562	14,280
2011	333,050	99,725		7,133	92,592	5,298
2012	139,933	46,572		6,945	39,627	2,366
2013	337,982	11,961		863	11,098	718
2014	99,496	57,536		17,329	40,207	3,219
2015	892,511	104,593		5,816	98,777	5,887
2016	2,138,838	169,848		18,845	151,003	9,452
2017	1,158,191	52,854		26,641	26,213	1,986
2018	164,855	47,803		4,995	42,808	1,801
2019			263,001	205,643	57,358	
Total	\$ <u>17,623,986</u>	\$ <u>1,247,456</u>	\$ <u>263,001</u>	\$ <u>350,532</u>	\$ <u>1,159,925</u>	\$ <u>92,860</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, 2019**

<u>Year</u>	<u>Total Assessments Billed</u>	<u>Assessments Receivable January 1, 2019</u>	<u>Assessments Billed</u>	<u>Assessment Collections</u>	<u>Assessments Receivable December 31, 2019</u>	<u>Interest Collected</u>
2000	\$ 597,575	\$ 20,375	\$	\$	20,375	\$
2001	514,481	13,079		5,129	7,950	3,766
2002	375,756				-	
2003	684,750	19,087		1,638	17,449	142
2004	714,634	45,798		14,386	31,412	16,093
2005	18,097	1,704		827	877	102
2006	258,777	7,259		2,253	5,006	463
2007	677,398	61,938		7,392	54,546	1,649
2008	113,301	49,657		865	48,792	292
2009	146,490	57,225		9,730	47,495	1,899
2010	219,724	24,405		6,943	17,462	1,464
2011	97,616	31,280		5,799	25,481	207
2012	53,935	32,620		334	32,286	245
2013					-	
2014	380,405	119,725		30,807	88,918	7,667
2015	198,421	29,026		2,226	26,800	2,826
2016					-	
2017	29,506				-	
2018	26,131	26,131		653	25,478	911
2019			76,917	76,917	-	363
Total	\$ 5,106,997	\$ 539,309	\$ 76,917	\$ 165,899	\$ 450,327	\$ 38,089

**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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Sale of Water:				
Water Use Charges:				
Domestic	\$ 42,805,000	\$ 42,805,000	\$ 39,118,125	\$ (3,686,875)
Commercial	10,710,000	10,710,000	13,781,180	3,071,180
Industrial	1,445,500	1,445,500	2,917,226	1,471,726
Public Authorities	7,630,000	7,630,000	3,332,358	(4,297,642)
Other Water Companies	1,809,500	1,809,500	1,905,642	96,142
Total water use charges	<u>64,400,000</u>	<u>64,400,000</u>	<u>61,054,531</u>	<u>(3,345,469)</u>
Service Charges:				
Domestic	21,691,200	21,691,200	20,444,282	(1,246,918)
Commercial	1,957,100	1,957,100	2,514,672	557,572
Industrial	354,600	354,600	344,075	(10,525)
Public Authorities	707,200	707,200	833,370	126,170
Other Water Companies	14,500	14,500	39,262	24,762
Total service charges	<u>24,724,600</u>	<u>24,724,600</u>	<u>24,175,661</u>	<u>(548,939)</u>
Total sale of water	<u>89,124,600</u>	<u>89,124,600</u>	<u>85,230,192</u>	<u>(3,894,408)</u>
Other Operating Revenues:				
Hydrant Maintenance	1,406,500	1,406,500	1,341,079	(65,421)
Fire Protection Services	3,947,000	3,947,000	4,015,405	68,405
Water Billing Penalties	566,700	566,700	134,708	(431,992)
Total other operating revenues	<u>5,920,200</u>	<u>5,920,200</u>	<u>5,491,192</u>	<u>(429,008)</u>
Nonoperating Revenues:				
Other revenues:				
Other Water Revenues	900,000	900,000	99,114	(800,886)
Forestry	200,400	200,400	342,570	142,170
Bill Job P/R & Materials	75,000	75,000	300,000	225,000
Developers P/R Material	300,000	300,000	256,239	(43,761)
Bill Job & Dev P/R Additives	30,000	30,000	6,022	(23,978)
Sale of Mat'l Equip	120,000	120,000	250,353	130,353
Main Pipe Assessments	80,000	80,000	57,896	(22,104)
Short-Term Bill Jobs	90,000	90,000	39,135	(50,865)
Long-Term Bill Jobs	100,000	100,000	90,751	(9,249)
Recreation Income	75,000	75,000	49,358	(25,642)
Collections & Liens	400,000	400,000	260,414	(139,586)
CAC-Hydrant	10,000	10,000	12,195	2,195
CAC-High Pressure	5,000	5,000	1,881	(3,119)
Rental of Water Property	151,200	151,200	151,748	548
NOR Other Misc	426,000	426,000	198,484	(227,516)
Total other revenues	<u>2,962,600</u>	<u>2,962,600</u>	<u>2,116,160</u>	<u>(846,440)</u>
Interest	<u>200,000</u>	<u>200,000</u>	<u>1,756,097</u>	<u>1,556,097</u>
Total nonoperating revenues	<u>3,162,600</u>	<u>3,162,600</u>	<u>3,872,257</u>	<u>709,657</u>
Total revenues	<u>98,207,400</u>	<u>98,207,400</u>	<u>94,593,641</u>	<u>(3,613,759)</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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenses:				
General government:				
District Board	\$ 201,700	\$ 211,900	\$ 171,890	\$ 40,010
Executive Office	484,700	484,700	461,012	23,688
Legal	881,200	881,200	832,451	48,749
Human Resources	777,300	777,300	719,473	57,827
Information Systems	4,641,800	4,641,700	4,586,971	54,729
Finance	2,428,300	2,472,771	2,435,422	37,349
Total general government	<u>9,415,000</u>	<u>9,469,571</u>	<u>9,207,219</u>	<u>262,352</u>
Engineering & Planning	<u>982,500</u>	<u>982,500</u>	<u>795,809</u>	<u>186,691</u>
Operations:				
Command Center	2,716,800	2,716,700	2,686,503	30,197
Operations	8,041,100	8,266,000	7,949,593	316,407
Environmental Health and Safety	492,000	491,900	471,211	20,689
Customer Service	1,083,800	1,039,129	942,740	96,389
Operating Office	386,100	386,200	282,161	104,039
Total operations	<u>12,719,800</u>	<u>12,899,929</u>	<u>12,332,208</u>	<u>567,721</u>
Plants and maintenance:				
Water treatment and supply	8,944,700	8,924,700	7,540,162	1,384,538
Laboratory services	923,300	923,300	888,907	34,393
Maintenance	5,582,600	5,583,100	5,239,676	343,424
Patrol	1,719,500	1,719,500	1,420,263	299,237
Total plant and maintenance	<u>17,170,100</u>	<u>17,150,600</u>	<u>15,089,008</u>	<u>2,061,592</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Employee benefits and other:				
Employee benefits	\$ 15,679,300	\$ 15,679,300	\$ 15,545,839	\$ 133,461
General insurance	3,323,000	3,323,000	3,179,846	143,154
Taxes and fees	3,610,500	3,630,500	3,626,442	4,058
Special agreements and programs	3,553,900	3,543,700	3,020,124	523,576
Total employee benefits and other	<u>26,166,700</u>	<u>26,176,500</u>	<u>25,372,251</u>	<u>804,249</u>
Debt service:				
Principal	20,095,000	19,731,590	18,354,332	1,377,258
Interest	11,658,300	11,796,710	12,624,952	(828,242)
Total debt service	<u>31,753,300</u>	<u>31,528,300</u>	<u>30,979,284</u>	<u>549,016</u>
Other financing sources:				
Transfers out			(12,555,181)	12,555,181
Total expenses	<u>98,207,400</u>	<u>98,207,400</u>	<u>106,330,960</u>	<u>(8,123,560)</u>
Net Change in Net Position	\$ <u>-</u>	\$ <u>-</u>	(11,737,319)	\$ <u>(11,737,319)</u>

Budgetary expenses are different than GAAP expenses because:

Depreciation expenses are not recorded for budgetary basis, but are for GAAP	(18,304,811)
The District budgets for debt service principal payments	18,354,332
The District does not budget for legal settlements	(7,900,000)
The District does not budget for allowance adjustments	450,088
The District does not budget for capital asset disposals	(6,494,944)
The District does not budget for year end expense accruals	234,001
The District does not budget for compensated absences	(527,173)
The District does not budget for changes in employee benefit liabilities	(12,170,421)
The District does not budget for capital project revenue and expenses	<u>9,659,809</u>

Net Change in Net Position as Reported on the Statement of Revenues,
Expenses and Changes in Net Position - Proprietary Funds \$ (28,436,438)

**THE METROPOLITAN DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION AND
 OTHER EMPLOYEE BENEFIT TRUST FUNDS
 DECEMBER 31, 2019**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 702,735	\$ 6,057,621	\$ 6,760,356
Accounts receivable	47,682		47,682
Investments, at fair value:			
Mutual funds	20,761,028		20,761,028
Guaranteed investment contracts	23,004,370		23,004,370
Land	8,073,546		8,073,546
Commingled collective trusts	150,971,902		150,971,902
Real estate	<u>23,225,078</u>		<u>23,225,078</u>
Total assets	<u>226,786,341</u>	<u>6,057,621</u>	<u>232,843,962</u>
LIABILITIES			
Retiree expense reimbursement payable		<u>2,524,018</u>	<u>2,524,018</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	<u>\$ 226,786,341</u>	<u>\$ 3,533,603</u>	<u>\$ 230,319,944</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, 2019**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 5,688,000	\$ 9,146,000	\$ 14,834,000
Plan members	2,430,709	1,155,677	3,586,386
Reimbursements		179,878	179,878
Total contributions	<u>8,118,709</u>	<u>10,481,555</u>	<u>18,600,264</u>
Investment earnings:			
Net change in fair value of investments	32,738,951		32,738,951
Interest and dividends	3,599,903		3,599,903
Total investment earnings (loss)	<u>36,338,854</u>	-	<u>36,338,854</u>
Less investment expenses:			
Investment management fees	1,045,322		1,045,322
Net investment earnings (loss)	<u>35,293,532</u>	-	<u>35,293,532</u>
Total additions (reductions)	<u>43,412,241</u>	<u>10,481,555</u>	<u>53,893,796</u>
Deductions:			
Benefits	18,226,458	6,341,967	24,568,425
Administrative expense	103,926	5,589	109,515
Total deductions	<u>18,330,384</u>	<u>6,347,556</u>	<u>24,677,940</u>
Change in Net Position	25,081,857	4,133,999	29,215,856
Net Position at Beginning of Year	<u>201,704,484</u>	<u>(600,396)</u>	<u>201,104,088</u>
Net Position at End of Year	<u>\$ 226,786,341</u>	<u>\$ 3,533,603</u>	<u>\$ 230,319,944</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.

Contents	Page
Financial Trends	76-79
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	80
This schedule contains information to help the reader assess the District's most significant local revenue source, taxation of member municipalities.	
Debt Capacity	81-83
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	84
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	85-87
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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental Activities:										
Net investment in capital assets	\$ 809,558,713	\$ 738,962,237	\$ 628,338,124	\$ 586,568,408	\$ 484,901,567	\$ 455,295,358	\$ 404,221,698	\$ 376,209,555	\$ 357,567,083	\$ 341,313,990
Restricted	2,744,874	521,274				56,291,586	45,369,836	18,025,247		8,806,526
Unrestricted	<u>(57,460,793)</u>	<u>(38,838,833)</u>	<u>(37,710,011)</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>
Total Governmental Activities Net Position	\$ <u>754,842,794</u>	\$ <u>700,644,678</u>	\$ <u>590,628,113</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>
Business-Type Activities:										
Net investment in capital assets	\$ 272,553,110	\$ 284,768,635	\$ 282,355,400	\$ 262,043,055	\$ 267,745,071	\$ 256,080,877	\$ 255,929,765	\$ 258,683,886	\$ 251,051,504	\$ 237,803,287
Restricted						114,520	3,335,436	282,217		13,152,273
Unrestricted	<u>(182,249,667)</u>	<u>(168,750,519)</u>	<u>(126,684,152)</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>
Total Business-Type Activities Net Position	\$ <u>90,303,443</u>	\$ <u>116,018,116</u>	\$ <u>155,671,248</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>
Primary Government:										
Net investment in capital assets	\$ 1,082,111,823	\$ 1,023,730,872	\$ 910,693,524	\$ 848,611,463	\$ 752,646,638	\$ 711,376,235	\$ 660,151,463	\$ 634,893,441	\$ 608,618,587	\$ 579,117,277
Restricted	2,744,874	521,274				56,406,106	48,705,272	18,307,464		21,958,799
Unrestricted	<u>(239,710,460)</u>	<u>(207,589,352)</u>	<u>(164,394,163)</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>
Total Primary Government Net Position	\$ <u>845,146,237</u>	\$ <u>816,662,794</u>	\$ <u>746,299,361</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>

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Governmental activities:										
General government	\$ 22,503,242	\$ 3,478,751	\$ 12,782,032	\$ 13,683,241	\$ 12,337,881	\$ 12,784,187	\$ 9,524,064	\$ 8,866,521	\$ 10,129,598	\$ 16,761,948
Engineering and planning						877,678	486,626	255,872	1,586,506	3,679,780
Operations	32,724,856	11,612,676	15,004,934	25,441,446	6,151,830	8,614,482	5,439,460	6,622,431	6,412,930	11,384,916
Plants and maintenance	71,412,175	32,932,419	43,573,609	46,577,522	29,189,681	34,067,360	30,341,543	32,894,344	26,362,389	35,074,547
Water treatment and supply										
Interest on long-term debt	28,064,892	30,746,675	26,066,412	24,217,631	19,489,920	16,263,466	13,271,555	7,936,484	7,608,354	5,515,611
Total governmental activities expenses	154,705,165	78,770,521	97,426,987	109,919,840	67,169,312	72,607,173	59,063,248	56,575,652	52,099,777	72,416,802
Business-type activities:										
Water	107,583,098	124,328,800	91,573,513	84,025,204	84,404,787	79,597,522	68,713,237	63,719,227	56,895,453	71,314,711
Hydroelectricity	2,116,807	247,281	702,704	827,100	479,326	394,359	345,431	402,924	321,966	363,741
Mid-Connecticut Project				1,793,246	761,311	2,166,557	6,091,844	11,400,744	27,696,462	21,526,912
Total business-type activities expenses	109,699,905	124,576,081	92,276,217	86,645,550	85,645,424	82,158,438	75,150,512	75,522,895	84,913,881	93,205,364
Total Primary Government Expenses	\$ 264,405,070	\$ 203,346,602	\$ 189,703,204	\$ 196,565,390	\$ 152,814,736	\$ 154,765,611	\$ 134,213,760	\$ 132,098,547	\$ 137,013,658	\$ 165,622,166
Program revenues:										
Governmental activities:										
Charges for services	\$ 86,222,994	\$ 73,018,310	\$ 72,013,708	\$ 70,629,736	\$ 61,592,665	\$ 63,885,662	\$ 47,300,004	\$ 41,434,212	\$ 40,448,907	\$ 34,784,065
Operating grants and contributions					3,992,310	1,039,223				
Capital grants and contributions	53,379,335	49,836,293	64,775,491	51,301,142	32,768,216	26,927,807	26,506,324	12,949,510	20,498,331	16,547,463
Total governmental activities program revenues	139,602,329	122,854,603	136,789,199	121,930,878	98,353,191	91,852,692	73,806,328	54,383,722	60,947,238	51,331,528
Business-type activities:										
Charges for services	92,873,907	79,715,461	82,836,604	75,606,571	74,198,011	77,748,234	79,971,496	74,412,896	105,116,289	82,834,995
Capital grants and contributions	4,949,099	17,337,818	20,596,616	12,285,315	4,827,274	5,227,745	5,145,634	2,546,093	1,557,615	7,126,212
Total business-type activities program revenues	97,823,006	97,053,279	103,433,220	87,891,886	79,025,285	82,975,979	85,117,130	76,958,989	106,673,904	89,961,207
Total Primary Government Program Revenues	\$ 237,425,335	\$ 219,907,882	\$ 240,222,419	\$ 209,822,764	\$ 177,378,476	\$ 174,828,671	\$ 158,923,458	\$ 131,342,711	\$ 167,621,142	\$ 141,292,735
Net revenues (expenses):										
Governmental activities	\$ (15,102,836)	\$ 44,084,082	\$ 39,362,212	\$ 12,011,038	\$ 31,183,879	\$ 19,245,519	\$ 14,743,080	\$ (2,191,930)	\$ 8,847,461	\$ (21,085,274)
Business-type activities	(11,876,899)	(27,522,802)	11,157,003	1,246,336	(6,620,139)	817,541	9,966,618	1,436,094	21,760,023	(3,244,157)
Total Primary Government Net (Revenue) Expense	\$ (26,979,735)	\$ 16,561,280	\$ 50,519,215	\$ 13,257,374	\$ 24,563,740	\$ 20,063,060	\$ 24,709,698	\$ (755,836)	\$ 30,607,484	\$ (24,329,431)
General revenues and other changes in net position:										
Governmental activities:										
Sewer taxation - member municipalities	\$ 48,153,100	\$ 45,004,000	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200	\$ 32,360,500	\$ 30,967,000
Miscellaneous	3,466,043	5,501,247	2,813,918	1,864,076	116,577	1,540,335	54,771	8,337		
Unrestricted investment earnings	3,573,305	3,060,821	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854	323,425
Transfers	14,108,504	12,366,415	(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)
Total governmental activities	69,300,952	65,932,483	(2,948,552)	70,155,208	37,835,338	39,461,307	37,392,250	36,064,459	35,158,327	28,568,967
Business-type activities:										
Miscellaneous			1,906,736	2,130,684	2,204,726	5,861,124	2,160,605	1,010,877	770,949	1,306,793
Unrestricted investment earnings	270,730	236,085	201,900	40,783	15,338	138,537	110,747	95,296	106,672	99,050
Transfers	(14,108,504)	(12,366,415)		(28,760,431)		(1,556,735)	(2,144,402)	(2,317,653)	(2,518,973)	2,721,458
Special item			32,809,473							
Total business-type activities	(13,837,774)	(12,130,330)	34,918,109	(26,588,964)	2,220,064	4,242,926	126,950	(1,211,680)	(1,641,352)	4,127,301
Total Primary Government	\$ 55,463,178	\$ 53,802,153	\$ 31,969,557	\$ 43,566,244	\$ 40,055,402	\$ 43,704,233	\$ 37,519,200	\$ 34,852,779	\$ 33,516,975	\$ 32,696,268
Change in net position:										
Governmental activities	\$ 54,198,116	\$ 110,016,565	\$ 36,413,660	\$ 82,166,246	\$ 69,019,217	\$ 58,706,826	\$ 52,135,330	\$ 33,872,529	\$ 44,005,788	\$ 7,483,693
Business-type activities	(25,714,673)	(39,653,132)	46,075,112	(25,342,628)	(4,400,075)	5,060,467	10,093,568	224,414	20,118,671	883,144
Total Primary Government	\$ 28,483,443	\$ 70,363,433	\$ 82,488,772	\$ 56,823,618	\$ 64,619,142	\$ 63,767,293	\$ 62,228,898	\$ 34,096,943	\$ 64,124,459	\$ 8,366,837

TABLE 3

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 3,353,277
Unreserved										11,510,930
Nonspendable	3,403,852	3,065,322	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>24,699,867</u>	<u>23,226,621</u>	<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>\$ 28,103,719</u>	<u>\$ 26,291,943</u>	<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>
All other governmental funds:										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 187,105,451
Unreserved, reported in:										
Capital projects funds										(175,377,657)
Nonspendable			53,957	183,283	319,960	17,034	19,951	42,748	3,193	
Restricted	2,744,874	100,879,288	120,176,898	129,078,070	155,110,707	149,816,144	20,450,646	79,566,079	59,080,014	
Committed	100,487,052	9,827,026	76,741,076	50,808,229	2,637,663	3,310,650	3,141,343	10,286,298	8,309,465	
Unassigned		<u>(6,272,630)</u>	<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>\$ 103,231,926</u>	<u>\$ 104,433,684</u>	<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>

* 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Taxation - member municipalities	\$ 48,153,100	\$ 45,004,000	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200	\$ 32,360,500	\$ 30,967,000
Assessments	696,265	458,413	1,519,217	2,312,965	1,332,938	1,603,914	1,085,603	504,330	715,456	984,133
Sewer user fees	77,482,872	63,888,022	62,678,046	60,242,461	54,093,916	57,226,390	43,062,080	35,225,903	28,120,415	22,811,162
Intergovernmental revenues	30,203,841	53,890,725	69,199,739	55,232,126	39,706,369	29,610,377	26,439,377	16,312,586	26,571,263	22,343,556
Investment income	3,573,305	3,060,820	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854	323,311
Other local revenues	5,945,349	8,385,615	6,063,916	4,022,343	2,473,789	4,051,117	1,807,930	2,254,580	5,704,035	4,597,069
Total revenues	<u>166,054,732</u>	<u>174,687,595</u>	<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>
Expenditures:										
Current:										
General government	4,548,043	4,762,419	3,436,145	3,918,725	5,471,054	4,824,078	4,071,317	4,114,155	7,463,935	8,074,234
Engineering and planning						247,304	36,396	118,517	1,124,966	1,781,538
Operations	3,745,528	3,918,542	2,313,810	6,343,886	1,447,931	1,432,213	1,802,090	1,679,661	3,281,022	3,307,062
Plants and maintenance	18,150,755	15,144,347	20,148,645	17,673,827	17,002,752	16,780,068	19,078,105	21,555,352	20,001,916	21,805,352
Employee benefits and other	15,335,071	11,162,192	10,881,861	11,034,670	7,196,385	8,900,673	8,435,751	8,183,275	8,388,095	7,443,301
Debt service:										
Principal retirement	61,289,866	45,242,984	36,642,960	32,141,853	28,706,882	22,808,465	19,193,477	13,865,151	12,675,029	9,794,024
Interest	32,347,160	31,071,486	28,182,268	25,398,643	22,011,825	15,323,178	11,792,099	8,025,733	7,830,669	3,924,785
Capital outlay	<u>148,118,412</u>	<u>185,211,071</u>	<u>243,634,827</u>	<u>228,529,877</u>	<u>160,991,417</u>	<u>172,024,423</u>	<u>163,835,773</u>	<u>157,029,034</u>	<u>131,973,877</u>	<u>118,885,296</u>
Total expenditures	<u>283,534,835</u>	<u>296,513,041</u>	<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>
Deficiency of revenues over expenditures	<u>(117,480,103)</u>	<u>(121,825,446)</u>	<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>
Other financing sources (uses):										
Bond proceeds	38,395,250	62,591,950		85,331,650	39,070,781	167,578,000	126,838,000			102,485,491
Refunding bond proceeds	58,603,410			18,301,300		9,931,648				10,660,856
Payment to refunded bond escrow agent	(68,712,098)			(21,140,765)		(10,757,266)				(11,887,289)
Loan obligation proceeds	46,067,106	79,135,454	127,654,336	91,409,817	66,766,625	36,841,772	40,364,999	29,162,137	43,228,154	33,315,254
Bond premium	7,049,505	7,411,503		5,933,457	3,352,904	24,934,481	9,952,391			3,092,978
Premium on refunding bonds	10,539,988			2,964,849		840,228				1,350,507
Transfers in	119,345,479	91,667,990	62,444,100	80,984,336	52,502,525	36,915,679	46,793,697	36,778,838	30,834,857	22,091,689
Transfers out	(93,198,519)	(74,579,373)	(62,444,100)	(52,223,905)	(52,502,525)	(35,358,944)	(44,433,983)	(33,970,804)	(27,936,753)	(19,700,156)
Total other financing sources	<u>118,090,121</u>	<u>166,227,524</u>	<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>
Net change in fund balances	610,018	44,402,078	(34,765,747)	47,859,854	1,687,837	117,441,231	58,858,163	(94,564,839)	(52,862,728)	48,419,969
Fund balance at beginning of year	<u>130,725,627</u>	<u>86,323,549</u>	<u>121,089,296</u>	<u>73,229,442</u>	<u>71,541,605</u> *	<u>(61,697,403)</u>	<u>(120,825,566)</u>	<u>(26,260,727)</u>	<u>26,592,001</u>	<u>(21,827,968)</u>
Fund Balance at End of Year	<u>\$ 131,335,645</u>	<u>\$ 130,725,627</u>	<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>
Debt Service as a Percentage to										
Noncapital Expenditures	62.53%	61.39%	53.78%	49.22%	63.02%	50.10%	50.95%	36.69%	32.58%	21.79%
Total Debt Service	\$ 93,637,026	\$ 76,314,470	\$ 64,825,228	\$ 57,540,496	\$ 50,718,707	\$ 38,131,643	\$ 30,985,576	\$ 21,890,884	\$ 20,505,698	\$ 13,718,809
Capitalized capital outlay	(133,794,027)	(172,201,352)	(224,712,443)	(208,127,036)	(162,349,655)	(166,226,160)	(167,432,856)	(153,268,996)	(133,071,304)	(112,066,626)
Noncapital expenditures	149,740,808	124,311,689	120,528,073	116,914,445	80,478,591	76,114,242	60,812,152	59,668,205	62,948,966	62,948,966

*Restated in current year

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

<u>Year</u>	<u>Hartford</u>	<u>East Hartford</u>	<u>Newington</u>	<u>Wethersfield</u>	<u>Windsor</u>	<u>Bloomfield</u>	<u>Rocky Hill</u>	<u>West Hartford</u>	<u>Total Tax Levy</u>
2019	25.70 % \$ 12,372,000	11.99 % \$ 5,775,200	8.97 % \$ 4,318,900	8.26 % \$ 3,979,400	8.88 % \$ 4,274,900	7.24 % \$ 3,488,600	6.04 % \$ 2,909,600	22.92 % \$ 11,034,500	\$ 48,153,100
2018	25.67 11,550,400	12.19 5,486,600	9.16 4,120,900	8.24 3,707,800	8.89 4,001,500	7.24 3,256,200	6.03 2,712,500	22.59 10,168,100	45,004,000
2017	26.31 10,963,200	12.14 5,059,400	9.01 3,752,900	8.18 3,408,200	8.78 3,656,900	7.36 3,067,100	5.94 2,475,800	22.28 9,286,900	41,670,400
2016	26.13 10,174,900	12.23 4,762,000	9.01 3,508,400	8.24 3,207,700	8.74 3,404,700	7.54 2,936,000	5.75 2,239,700	22.36 8,710,900	38,944,300
2015	26.44 10,298,600	11.53 4,490,100	8.44 3,287,300	7.76 3,022,000	8.27 3,222,600	7.07 2,752,400	5.53 2,153,700	21.11 8,219,700	37,446,400
2014	27.70 10,374,400	11.25 4,213,200	8.36 3,132,300	7.54 2,824,400	8.31 3,111,900	6.98 2,612,500	5.58 2,089,100	20.83 7,798,800	36,156,600
2013	28.61 9,955,500	11.39 3,964,500	8.66 3,014,900	7.92 2,756,900	8.70 3,026,500	7.43 2,584,900	5.78 2,011,100	21.51 7,485,100	34,799,400
2012	28.28 9,472,000	11.51 3,856,000	8.62 2,888,200	8.01 2,682,500	8.83 2,956,200	7.43 2,488,900	5.80 1,941,700	21.52 7,207,700	33,493,200
2011	27.96 9,046,600	11.65 3,769,700	8.64 2,794,700	8.10 2,619,900	8.94 2,893,400	7.41 2,399,000	5.78 1,869,100	21.52 6,968,100	32,360,500
2010	27.82 8,614,800	12.13 3,757,200	8.49 2,628,400	8.11 2,510,900	8.93 2,766,400	7.33 2,268,900	5.71 1,769,500	21.48 6,650,900	30,967,000

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			
2019	\$ 321,971,912	\$ 527,219,298	\$ 197,740,000	\$ 61,527,071	\$ 263,903,089	\$ 51,989,586	\$ 30,738,850	\$ 1,455,089,806	11.04%	\$ 3,523
2018	313,429,633	510,928,231	209,180,000	49,069,482	245,900,361	53,100,633	22,838,290	1,404,446,630	10.69%	3,356
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	9.87%	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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt limit	\$ 1,284,605,245	\$ 1,277,811,488	\$ 1,260,243,294	\$ 1,243,899,020	\$ 1,211,556,756	\$ 1,196,077,656	\$ 1,189,228,048	\$ 1,219,419,892	\$ 1,201,875,400	\$ 1,178,347,055
Total net debt applicable to limit	<u>923,986,894</u>	<u>945,046,541</u>	<u>946,055,259</u>	<u>907,121,892</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>
Legal Debt Margin	<u>\$ 360,618,351</u>	<u>\$ 332,764,947</u>	<u>\$ 314,188,035</u>	<u>\$ 336,777,128</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>
Total net debt applicable to the limit as a percentage of debt limit	71.93%	73.96%	75.07%	72.93%	59.54%	42.49%	49.42%	45.96%	36.31%	20.76%

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. At the time this data was calculated the Grand Lists for East Hartford, Bloomfield, and West Hartford were not available, due to this the 2018 Grand List numbers were used. The calculation of the 2019 debt limit can be found on Table 8 of this report.

**THE METROPOLITAN DISTRICT
SCHEDULE OF DEBT LIMITATION AND LEGAL DEBT MARGIN
DECEMBER 31, 2019**

Schedule of Debt Limitation

Combined 2019 Grand List of Member Municipalities of the District		\$ 25,692,104,902
Debt Limit, 5% thereof		\$ 1,284,605,245
Total Outstanding Debt, December 31, 2019:		
Water General Obligation Bonds	\$ 181,666,358	
DWSRF Project Loan Obligations	50,060,764	
Sewer General Obligation Bonds	193,390,151	
CWF Project Loan Obligations	19,067,129	
Clean Water Project General Obligation Bonds (B)	49,570,000	
Clean Water Project Revenue Bonds (B)	197,740,000	
Clean Water Project CWF Project Loan Obligations (B)	430,351,242	
Combined General Obligation Bonds	<u>161,248,493</u>	
Total Direct-Long-Term Indebtedness	<u>1,283,094,137</u>	
DWSRF Interim Funding Obligation	2,522,972	
CWF Interim Funding Obligation (B)	<u>152,596,610</u>	
Total Direct Short-Term Indebtedness	<u>155,119,582</u>	
Total Direct Indebtedness	<u>1,438,213,719</u>	
Less Outstanding Debt Not Subject to Debt Limitation:		
Water Bonds (A)	181,666,358	
DWSRF Project Loan Obligations	50,060,764	
DWSRF Interim Funding Obligations	2,522,972	
Clean Water Project Revenue Bonds (B)	197,740,000	
Water's Share of Combined General Obligation Bonds	<u>82,236,731</u>	
Total Outstanding Debt Not Subject to Debt Limitation	<u>514,226,825</u>	
Total Debt Subject to Debt Limitation		<u>923,986,894</u>
Excess of Charter Debt Limitation Over Outstanding Debt		<u>\$ 360,618,351</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.

Note: At the time this data was calculated the Grand Lists for East Hartford, Bloomfield, and West Hartford were not available, due to this the 2018 Grand List numbers were used.

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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2019	364,173	\$ 11,617,225,185	\$ 31,900	38.4	51,749	6.1%
2018	364,869	11,454,126,993	31,392	38.4	52,260	5.2%
2017	364,393	11,070,762,172	30,381	38.3	52,921	6.1%
2016	365,289	11,143,038,584	30,505	38.2	55,234	6.8%
2015	366,470	11,026,722,853	30,089	38.1	53,358	7.6%
2014	366,406	10,835,873,742	29,573	38.0	53,860	9.6%
2013	366,019	10,731,053,662	29,318	38.0	53,899	10.5%
2012	366,257	10,598,647,554	28,938	38.1	54,782	10.6%
2011	365,806	10,347,099,579	28,286	37.9	54,914	11.5%
2010	357,481	9,443,285,928	26,416	37.5	56,909	11.0%

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Officials/administrators	36	31	32	34	32	33	31	34	34	40
Other administrative	33	31	30	32	33	35	34	36	39	44
Professional/technical	160	164	166	170	174	172	167	172	186	210
Protective service	10	8	8	8	8	9	9	9	15	9
Skilled craft, service/maintenance	<u>240</u>	<u>240</u>	<u>246</u>	<u>265</u>	<u>275</u>	<u>275</u>	<u>278</u>	<u>289</u>	<u>315</u>	<u>354</u>
Total	<u>479</u>	<u>474</u>	<u>482</u>	<u>509</u>	<u>522</u>	<u>524</u>	<u>519</u>	<u>540</u>	<u>589</u>	<u>657</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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>Water Operations</u>										
Miles of water mains added	3.04	3.71	0.77	1.56	2.10	5.58	2.00	1.00	(2.00)	2.61
Total miles of water mains	1,562	1,557	1,554	1,553	1,551	1,549	1,543	1,541	1,540	1,542
Water connections made	102,184	102,051	101,836	101,599	101,446	101,217	102,669	102,449	102,324	102,034
Average daily consumption (millions of gallons)	45.80	37.34	39.30	39.59	40.07	42.02	40.25	42.27	41.95	44.18
Maximum consumption (millions of gallons daily)	63.7	68.8	61.7	71.94	70.09	69.59	71.84	74.68	87.06	88.65
Minimum consumption (millions of gallons daily)	38.94	37.84	39.20	39.90	37.57	38.46	35.85	35.19	42.69	40.10
Number of hydrants	10,763	10,720	10,329	10,197	11,238	11,484	11,238	11,178	11,146	9,162
Number of meters	98,250	99,946	98,239	102,987	101,400	102,828	103,340	103,125	102,895	102,807
Plant capacity (millions of gallons)	126	126	126	126	126	126	126	126	105	105

Source: MDC Budgets

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

	<u>2019</u>	<u>2018</u>	<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>Sewer Operations</u>										
Miles of sewer mains added	0.81	1.20	(0.34)	1.57	2.89	2.80	3.37	2.29	(0.22)	0.57
Total miles of sanitary sewers	1,090.24	1,089.43	1,088.23	1,088.57	1,087.47	1,084.04	1,081.24	1,077.87	1,075.58	1,076.15
Miles of combined sewers	159	159	159	159	159	160	160	160	160	160
Miles of storm sewers	79	79	78	79	79	76	76	73	72	72
Sewer connections made	91,208	91,037	91,011	90,728	90,566	90,666	90,220	90,035	89,969	89,866
Average daily flow (millions of gallons)	79.42	80.70	65.20	56.70	60.50	65.30	66.00	60.30	83.20	65.10
Plant capacity (millions of gallons)	105	105	105	105	105	105	105	105	105	105

Source: MDC Budgets