

OFFICIAL STATEMENT DATED AUGUST 13, 2020

NEW ISSUE – Book-Entry Only

**Ratings: Moody's: "Aa2"
S&P: "AA-"
See "RATINGS" herein.**

In the opinion of Co-Bond Counsel and Special Tax Counsel, based on existing statutes and court decisions and assuming continuing compliance by the District with certain tax covenants and procedures relating to the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2020 Series A Bonds is excluded from gross income for Federal income tax purposes, and is not treated as a tax preference item for purposes of computing the Federal alternative minimum tax imposed under the Code. Interest on the 2020 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In the opinion of Co-Bond Counsel and Special Tax Counsel, under existing statutes, interest on the 2020 Series AB Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the 2020 Series AB Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See "TAX MATTERS" herein for a description of certain other Federal income tax consequences of ownership of the 2020 Series AB Bonds.



\$131,075,000

**THE METROPOLITAN DISTRICT
HARTFORD COUNTY, CONNECTICUT**

\$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A

\$76,065,000 Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable)

Dated: Date of Delivery

**2020 Series A Bonds Due October 1, as shown on inside cover page
2020 Series B Bonds Due April 1, as shown on inside cover page**

The 2020 Series A Bonds and the 2020 Series B Bonds (together, the "2020 Series AB Bonds") are special obligations of The Metropolitan District, Hartford County, Connecticut (the "MDC" or the "District"), a body politic and corporate created by the Connecticut General Assembly in 1929 under Act No. 511 of the Special Acts of 1929 (as amended, the "MDC Charter"), and are issued pursuant to the MDC Charter and Chapter 103 of the Connecticut General Statutes, as amended (the "Act" and together with the MDC Charter, the "Authorizing Acts"), the Special Obligation Indenture of Trust by and between the MDC and U.S. Bank National Association (the "Trustee"), dated as of June 1, 2013 (the "Special Obligation Indenture"), as supplemented by the Third Supplemental Indenture thereto (the "Third Supplemental Indenture" and together with the Special Obligation Indenture, the "Indenture"), for the purpose of providing funds for the Clean Water Project described in this Official Statement (the "Clean Water Project"), including prepaying certain State of Connecticut (the "State") Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project, refunding certain outstanding bonds of the District previously issued to finance the Clean Water Project and paying costs of issuance of the 2020 Series AB Bonds. The 2020 Series AB Bonds are secured by a pledge of and payable from the Trust Estate, and are on a parity with the District's outstanding Clean Water Project Revenue Bonds, 2013 Series A, and Clean Water Project Revenue Bonds, 2014 Series A (the "2013 Series A Bonds" and the "2014 Series A Bonds") and all outstanding Additional Bonds hereafter issued under the Indenture (the 2013 Series A Bonds, the 2014 Series A Bonds, the 2020 Series AB Bonds and any such Additional Bonds are collectively the "Bonds"). The Trust Estate includes Pledged Revenues, which are special revenues to be received by the MDC from a Clean Water Project Charge, together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate.

(See inside front cover page for maturities, interest rates and prices or yields.)

The 2020 Series AB Bonds are not a general obligation of the MDC. The 2020 Series AB Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof other than the MDC or a pledge of the faith and credit of the State or of any such political subdivision including the MDC, but shall be payable solely from the Trust Estate. Neither the State nor any political subdivision thereof other than the MDC shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the 2020 Series AB Bonds.

The 2020 Series AB Bonds are issuable only as fully-registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2020 Series AB Bonds. Purchases of the 2020 Series AB Bonds will be made in book-entry form. 2020 Series A Bonds will be in the denomination of \$5,000 or any integral multiple thereof and 2020 Series B Bonds will be in the denomination of \$1,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2020 Series AB Bonds. So long as Cede & Co. is the bondowner, as nominee of DTC, reference herein to the bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the 2020 Series AB Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Principal of and semiannual interest on the 2020 Series AB Bonds will be paid directly to DTC by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the bondowner. U.S. Bank National Association will act as Escrow Agent for the 2020 Series B Bonds. Interest on the 2020 Series AB Bonds will be payable semiannually on April 1 and October 1, in each year, commencing October 1, 2020. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The 2020 Series AB Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein.

The 2020 Series AB Bonds are offered when, as, and if issued and received the Underwriters, subject to the approval of legality by Hinckley, Allen & Snyder LLP, Co-Bond Counsel of Hartford, Connecticut, and Shipman & Goodwin LLP, Co-Bond Counsel of Hartford, Connecticut, and certain other conditions. Certain legal matters will be passed upon for the District by Soeder & Associates, LLC, Hartford, Connecticut, as Special Tax Counsel, and for the Underwriters by their counsel, Squire Patton Boggs (US) LLP of New York, New York. It is expected that the 2020 Series AB Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York on or about August 25, 2020.

**Goldman Sachs & Co. LLC
Morgan Stanley**

**Raymond James
Piper Sandler & Co.**

\$131,075,000

THE METROPOLITAN DISTRICT

\$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A <u>MATURITY SCHEDULE</u>					\$76,065,000 Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) <u>MATURITY SCHEDULE</u>				
Year October 1	Principal Amount	Interest Rate	Price/Yield	CUSIP†	Year April 1	Principal Amount	Interest Rate	Price	CUSIP†
2020	\$1,815,000	5.000%	100.480	416498BZ5	2021	\$2,100,000	0.361%	100.000	416498CX9
2021	3,195,000	5.000%	0.200%	416498CA9	2022	2,055,000	0.411%	100.000	416498CY7
2022	3,275,000	5.000%	0.210%	416498CB7	2026	1,880,000	1.151%	100.000	416498CZ4
2023	2,780,000	5.000%	0.250%	416498CC5	2027	1,870,000	1.331%	100.000	416498DA8
2024	2,795,000	5.000%	0.280%	416498CD3	2028	1,865,000	1.554%	100.000	416498DB6
2025	2,815,000	5.000%	0.340%	416498CE1	2029	2,035,000	1.674%	100.000	416498DC4
2026	3,550,000	5.000%	0.450%	416498CF8	2030	2,150,000	1.724%	100.000	416498DD2
2027	3,650,000	5.000%	0.570%	416498CG6	2031	4,270,000	1.824%	100.000	416498DE0
2028	3,750,000	5.000%	0.700%	416498CH4	2032	6,185,000	1.974%	100.000	416498DF7
2029	3,865,000	5.000%	0.790%	416498CJ0	2033	1,000,000	2.124%	100.000	416498DG5
2030	3,975,000	5.000%	0.880%	416498CK7	2034	9,455,000	2.174%	100.000	416498DH3
2031*	4,095,000	5.000%	0.960%	416498CL5	2035	9,215,000	2.274%	100.000	416498DJ9
2032*	3,520,000	5.000%	1.050%	416498CM3					
2033*	1,470,000	5.000%	1.150%	416498CN1					
2034*	1,440,000	5.000%	1.190%	416498CP6					
2035*	635,000	5.000%	1.230%	416498CQ4					
2036*	665,000	5.000%	1.270%	416498CR2					
2037*	700,000	5.000%	1.310%	416498CS0					
2038*	735,000	5.000%	1.350%	416498CT8					
2039*	770,000	5.000%	1.390%	416498CU5					
2040*	810,000	5.000%	1.430%	416498CV3					
\$4,705,000 5.000% 2020 Series A Term Bond, due October 1, 2045*, Yield: 1.570%, CUSIP†: 416498 CW1					\$31,985,000 2.562% 2020 Series B Term Bond, due April 1, 2039, Price: 100%, CUSIP†: 416498 DK6				

*Priced assuming redemption on October 1, 2030; however, redemption is at the election of the District. See "Description of the 2020 Series AB Bonds – Redemption."

† The CUSIP numbers have been assigned by an independent company not affiliated with the MDC and are included solely for the convenience of the holders of the 2020 Series AB Bonds. None of the MDC, the Trustee or the Underwriters are responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the 2020 Series AB Bonds or as indicated above. The CUSIP number for s specific maturity is subject to being changed after the issuance of the 2020 Series AB Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2020 Series AB Bonds as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2020 Series AB Bonds.

No dealer, broker, salesperson or other person has been authorized by the MDC to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2020 Series AB Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the MDC and other sources which are believed to be reliable but is not guaranteed as to its accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of MDC since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2020 SERIES AB BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In making an investment decision, investors must rely on their own examination of the security for the 2020 Series AB Bonds and terms of this offering, including the merits and risks involved. These securities have not been recommended by any Federal or state securities commissioners or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The co-municipal advisors to the MDC have provided the following sentence for inclusion in this Official Statement. The co-municipal advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the MDC and, as applicable, to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the co-municipal advisors do not guarantee the accuracy or completeness of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Official Statement includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Without limiting the foregoing, the words “may,” “believe,” “may,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the MDC up to, and including, the date of this document, and the MDC assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including those contained in this Official Statement, including the cautionary statements under the caption “Considerations for Bondholders.” Investors should carefully review those factors.

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THE METROPOLITAN DISTRICT

DISTRICT CHAIRS AND DISTRICT OFFICIALS

Function	Chair
District Board of Commissioners.....	William A. DiBella
Water Bureau	Raymond Sweezy
Bureau of Public Works.....	Richard V. Vicino
Personnel, Pension & Insurance.....	Alvin E. Taylor
Board of Finance.....	Pasquale J. Salemi

Position	District Officials
Chief Executive Officer.....	Scott W. Jellison
Chief Operating Officer.....	Christopher J. Levesque
Chief Administrative Officer.....	Kelly J. Shane
District Clerk	John S. Mirtle
District Counsel.....	Christopher R. Stone
Chief Financial Officer/Treasurer	Christopher P. Martin
Director of Human Resources	Robert J. Zaik
Director of Engineering.....	Susan Negrelli
Controller	[vacant]
Director of Facilities.....	Thomas A. Tyler
Director of Information Technology.....	Robert B. Schwarm
.....	

Municipal Advisors
Hilltop Securities Inc.
Lamont Financial Services Corporation

Independent Accountants
Blum, Shapiro & Company, P.C.

Co-Bond Counsel
Shipman & Goodwin LLP
Hinckley, Allen & Snyder LLP

Trustee
U.S. Bank National Association

Special Tax Counsel
Soeder & Associates, LLC

2020 SERIES A BONDS SUMMARY

The information in this 2020 Series A Bonds Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	The Metropolitan District, Hartford County, Connecticut (the “MDC” or the “District”).
Issue:	\$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A (the “2020 Series A Bonds”).
Dated Date:	Date of Delivery.
Interest Due:	Each April 1 and October 1, commencing October 1, 2020.
Principal Due:	Annually each October 1, from 2020 to 2045
Authorized Denominations:	\$5,000 or any integral multiple thereof.
Authorization:	The 2020 Series A Bonds are authorized pursuant to Act No. 511 of the Special Acts of 1929 (as amended, the “MDC Charter”) and Chapter 103 of the Connecticut General Statutes, as amended (the “Act” and together with the MDC Charter, the “Authorizing Acts”), and are authorized, issued and secured under the provisions of a Special Obligation Indenture of Trust dated as of June 1, 2013 (the “Special Obligation Indenture”) and a Third Supplemental Indenture (the “Third Supplemental Indenture” and together with the Special Obligation Indenture, the “Indenture”), by and between the MDC and U.S. Bank National Association, acting as trustee (the “Trustee”).
Use of Proceeds:	The proceeds of the 2020 Series A Bonds will be used to (i) finance the District’s Clean Water Project, including reimbursing the District for prior expenditures relating to the Clean Water Project and prepaying certain State of Connecticut Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project, and (ii) pay costs of issuance related to the 2020 Series A Bonds. See “Clean Water Project” herein.
Redemption:	Certain maturities of the 2020 Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “Description of the 2020 Series AB Bonds – Redemption” herein.
Security:	The 2020 Series A Bonds will be special obligations of the District payable solely from the Trust Estate. See “Security for the 2020 Series AB Bonds” herein.
Credit Ratings:	The District has received credit ratings of “Aa2” from Moody’s Investors Service, Inc., (“Moody’s”) and “AA-” from S&P Global Ratings (“S&P”) on the 2020 Series A Bonds. See “Ratings” herein.
Tax Matters:	See “Tax Matters” herein.
Continuing Disclosure:	MDC will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), substantially in the form of Appendix E to this Official Statement, with respect to the 2020 Series AB Bonds in which it will agree to provide, or cause to be provided, in accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the 2020 Series AB Bonds and (iii) timely notice of the failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.
Registrar, Transfer Agent and Paying Agent:	U.S. Bank National Association, Global Corporate Trust, 225 Asylum Street, 23rd Floor, Hartford, Connecticut.
Legal Opinions:	Hinckley, Allen & Snyder LLP, Hartford, Connecticut, and Shipman & Goodwin LLP, Hartford, Connecticut, will serve as Co-Bond Counsel. Soeder & Associates, LLC, Hartford, Connecticut, will serve as Special Tax Counsel.
Delivery and Payment:	It is expected that delivery of the 2020 Series A Bonds in book-entry-only form will be made to The Depository Trust Company on or about August 25, 2020.
Issuer Official:	Questions concerning the District and the 2020 Series A Bonds should be addressed to: Christopher P. Martin, Chief Financial Officer/Treasurer, Telephone: 860-513-3345, The Metropolitan District, Hartford County, 555 Main Street, First Floor, Hartford, Connecticut 06103.
Municipal Advisors:	Hilltop Securities Inc. and Lamont Financial Services Corporation are serving as Municipal Advisors to the MDC.

2020 SERIES B BONDS SUMMARY

The information in this 2020 Series B Bonds Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	The Metropolitan District, Hartford County, Connecticut (the “MDC” or the “District”).
Issue:	\$76,065,000 Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) (the “2020 Series B Bonds”).
Dated Date:	Date of Delivery.
Interest Due:	Each April 1 and October 1, commencing October 1, 2020.
Principal Due:	Annually each April 1, from 2021 to 2039
Authorized Denominations:	\$1,000 or any integral multiple thereof.
Authorization:	The 2020 Series B Bonds are authorized pursuant to the Authorizing Acts and are authorized, issued and secured under the provisions of the Indenture.
Use of Proceeds:	The proceeds of the 2020 Series B Bonds will be used to (i) advance refund certain outstanding bonds of the District and (ii) pay costs of issuance related to the 2020 Series B Bonds. See “Description of the 2020 Series AB Bonds – Plan of Refunding” herein.
Redemption:	The 2020 Series B Bonds are subject to make-whole optional redemption and mandatory sinking fund redemption prior to maturity. See “Description of the 2020 Series AB Bonds – Redemption” herein.
Security:	The 2020 Series B Bonds will be special obligations of the District payable solely from the Trust Estate. See “Security for the 2020 Series AB Bonds” herein.
Credit Ratings:	The District has received credit ratings of “Aa2” from Moody’s and “AA-” from S&P on the 2020 Series B Bonds. See “Ratings” herein.
Tax Matters:	See “Tax Matters” herein.
Continuing Disclosure:	MDC will enter into the Continuing Disclosure Agreement, substantially in the form of Appendix E to this Official Statement, with respect to the 2020 Series AB Bonds in which it will agree to provide, or cause to be provided, in accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the 2020 Series AB Bonds and (iii) timely notice of the failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.
Registrar, Transfer Agent, Paying Agent and Escrow Agent:	U.S. Bank National Association, Global Corporate Trust, 225 Asylum Street, 23rd Floor, Hartford, Connecticut.
Legal Opinion:	Hinckley, Allen & Snyder LLP, Hartford, Connecticut, and Shipman & Goodwin LLP, Hartford, Connecticut, will serve as Co-Bond Counsel. Soeder & Associates, LLC, Hartford, Connecticut, will serve as Special Tax Counsel.
Delivery and Payment:	It is expected that delivery of the 2020 Series B Bonds in book-entry-only form will be made to The Depository Trust Company on or about August 25, 2020.
Issuer Official:	Questions concerning the District and the 2020 Series B Bonds should be addressed to: Christopher P. Martin, Chief Financial Officer/Treasurer, Telephone: 860-513-3345, The Metropolitan District, Hartford County, 555 Main Street, First Floor, Hartford, Connecticut 06103.
Municipal Advisors:	Hilltop Securities Inc. and Lamont Financial Services Corporation are serving as Municipal Advisors to the MDC.

\$131,075,000

THE METROPOLITAN DISTRICT

Consisting of

\$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A

\$76,065,000 Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable)

INTRODUCTORY STATEMENT

This Official Statement and the appendices attached hereto, is provided for the purpose of presenting certain information in connection with the offering and sale of: (i) \$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A (the “2020 Series A Bonds”) and (ii) \$76,065,000 Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) (the “2020 Series B Bonds”) and, together with the 2020 Series A Bonds, the “2020 Series AB Bonds”) of The Metropolitan District, Hartford County, Connecticut (the “MDC” or the “District”). The 2020 Series AB Bonds are authorized pursuant to the MDC Charter (as defined below) and Chapter 103 of the Connecticut General Statutes, as amended (the “Act” and together with the MDC Charter, the “Authorizing Acts”), and are authorized, issued and secured under the provisions of a Special Obligation Indenture of Trust dated as of June 1, 2013 (the “Special Obligation Indenture”), as amended and supplemented by a Third Supplemental Indenture (the “Third Supplemental Indenture” and together with the Special Obligation Indenture, the “Indenture”), by and between the MDC and U.S. Bank National Association, acting as trustee (the “Trustee”), for the benefit of holders of the Bonds issued under the Indenture.

The Authorizing Acts establish the MDC as a body politic and corporate of the State of Connecticut (the “State”).

All references herein to the Authorizing Acts, the Indenture and the 2020 Series AB Bonds are qualified in their entirety by reference to the definitive documents. Capitalized terms used herein have the meanings given to them in this Official Statement, including APPENDIX C hereto.

The 2020 Series AB Bonds are issued on a parity with (1) the District’s Clean Water Project Revenue Bonds, 2013 Series A (the “2013 Series A Bonds”), currently outstanding in the aggregate principal amount of \$70,575,000, and the District’s Clean Water Project Revenue Bonds, 2014 Series A (Green Bonds) (the “2014 Series A Bonds”), currently outstanding in the aggregate principal amount of \$126,165,000, issued and outstanding under the Indenture, and (2) any Additional Bonds hereafter issued and outstanding under the Indenture. The District expects to use the proceeds of the 2020 Series B Bonds to advance refund all of the outstanding 2013 Series A Bonds. The 2013 Series A Bonds, the 2014 Series A Bonds, the 2020 Series AB Bonds and any such Additional Bonds collectively are referred to herein as the “Bonds.” The District expects to issue Additional Bonds pursuant to the Indenture, all such Bonds to be secured on a parity basis with the then outstanding 2014 Series A Bonds and the 2020 Series AB Bonds. See “SECURITY FOR THE 2020 SERIES AB BONDS” and “PLAN OF FINANCE.” Currently, the District also has outstanding other bonds not issued pursuant to the Indenture and not secured by the Trust Estate. In addition, the District expressly reserves the right to adopt amendments to the Indenture to issue subordinated bonds, and to adopt additional indentures, to issue indebtedness thereunder, and to pledge other assets not in the Trust Estate to the payment of such indebtedness.

The District

The District was created by the Connecticut General Assembly in 1929 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” or the “District’s Charter”). The District’s purpose is to provide, as authorized, a complete, adequate and modern system of water supply, sewage collection and sewage disposal facilities for its member municipalities. Additionally, as a result of an amendment to the MDC Charter approved by the Connecticut General Assembly in 1979, the District is also empowered to construct, maintain, and operate hydroelectric dams. 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 (collectively, the “Member Municipalities”). The District also provides sewage disposal facilities and supplies water, under special agreements, to all or a portions of non-member municipalities as well as various State facilities. The municipalities currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor and Windsor Locks.

Effects of COVID-19 Outbreak

The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The U.S. Centers for Disease Control and Prevention (CDC) has warned that some areas in the United States are experiencing community spread of COVID-19 and that widespread transmission of COVID-19 in the United States is likely to continue. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide.

There can be no assurances that the ongoing impact of COVID-19 will not materially adversely affect local, State, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the District. As the situation evolves, states, municipalities, businesses and people appear to be altering behaviors in a manner that is having negative effects on global and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19.

State and Local Efforts to Mitigate the Ongoing Impact of COVID-19

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut as a result of the COVID-19 outbreak. State agencies have been directed to use all resources necessary to prepare for and respond to the outbreak. To date, the Governor has cancelled all public-school classes for all students through the current school year, restricted social and recreational gatherings, suspended activity at the State Capitol and legislative office building, suspended non-exigent operations of the judicial branch, required restricted seating for restaurants, required all businesses and not-for-profit entities in the State to employ, to the maximum extent possible, any telecommuting or work from home procedures that they can safely employ. The Governor has ordered a phased re-opening of the State, and various activities are in various stages of resumption.

On April 1, 2020, Governor Lamont issued an executive order (as subsequently amended, the “Executive Order”), which, among other things, calls for Connecticut municipalities, including Member Municipalities, to offer to eligible taxpayers impacted by COVID-19 one or both of the following tax relief programs: a three-month Deferment Program or a three-month Low Interest Rate Program. Both programs are applicable to amounts payable or delinquent during the period from April 1, 2020 to and including July 1, 2020 and apply to taxes on real property, personal property or motor vehicles, and water, sewer and electric rates, charges and assessments. The Deferment Program provides for a three-month deferment from the

time the amount becomes due and payable. However, financial institutions and mortgage services that hold property tax payments in escrow are required to continue to remit property taxes to the municipality according to the regular timetable, so long as the borrowers remains current on its mortgage or is in a mortgage forbearance or deferment program. The Low Interest Rate Program provides for a three percent (3%) cap on the interest rate due on the principal amount of delinquent payments. The low interest period runs for three months from the date the payment is due and payable. With respect to payments delinquent on or prior to April 1, 2020, interest shall be capped at three percent (3%) for three months from April 1, 2020. Following the three-month period, the interest rate may return to that previously established. The Member Municipalities have determined their program options. The District cannot predict at this time the impact of the programs called for by the Executive Order on the Member Municipalities.

Federal Government Response to COVID-19's Impact on the Economy

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion will be appropriated to states and other units of government for activities that are directly related to COVID-19; the amount paid to each state to be based on population with a minimum payment of \$1.25 billion. In addition, the CARES Act provides \$454 billion to the Federal Reserve to purchase business, state or municipal securities in order to provide a level of liquidity to the municipal market. Other financial relief affecting states and local governments includes \$30.9 billion for education, \$10 billion for airports, and \$25 billion for transit providers, and \$17 billion for housing, including \$5 billion for Community Development Block Grants for COVID-19 related services.

On March 28, 2020, President Trump approved Governor Lamont's request for a disaster declaration for the State of Connecticut. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments, including the District, and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19. The impacted agencies and towns will be reimbursed for 75 percent of the costs associated with their response and emergency protective measures.

District Efforts to Manage and Mitigate the Ongoing Impact of COVID-19

While the potential long-term impact on the District cannot be predicted at this time, the continued spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the District's finances. As an essential service provider, the District has ensured that all of its business continuity planning is up to date, and being implemented appropriately, including planning related to the implementation of the CARES Act, as well as other State and Federal guidance.

The District began its response to the coronavirus pandemic in March 2020. As an essential service provider, the District began taking steps to conform to guidance from the Governor's office, which included suspension of service shut-off and charges related to late fees on delinquent accounts. The District began coordinating with the Department of Public Health (DPH) and the CT Department of Environment and Energy Protection (DEEP) that oversee the District's drinking and wastewater activities and began following CDC guidelines. The District closed District offices to the public except by appointment. Water and wastewater services continue to be uninterrupted. Alternating week work schedules and work from home policies were implemented in mid-March, and continued until mid-June. Back to Work Plans were developed and implemented in June with the full staff reporting to work on June 15th. While working from home from mid-March to mid-June, business operations were not materially impacted. All business staff worked successfully from their remote locations with the support of the District's secure IT environment.

The District has not experienced any significant change in collections because of issues with customer loss of employment, bankruptcies and similar financial problems. The District continues to collect over 90% of its receivables for its year to date. Fewer than five commercial accounts of the District have requested a payment arrangement for past due balances and none of those are considered among MDC's larger customers. The District has seen an increase in delinquencies amounts, mostly attributable to its following the State requirement of suspending its shut-off program. The District cannot predict at this time the impact COVID-19 will ultimately have on revenue collections.

The District continues to track all costs associated with the COVID-19 pandemic including staffing costs related to the implementation of the CARES Act, as well as additional costs of PPE, and other related operational costs.

Through May 2020, MDC's COVID-19 related expenses are less than \$300,000. Of that amount, approximately \$160,000 are eligible for a 75% grant from FEMA. The remaining 25% local share is eligible for CARES Act funding, should it be approved by the State of Connecticut. Pending proposals in Congress could provide additional relief to the District.

The potential impact of the national and State response to COVID-19 to date, and the continued spread of COVID-19 and the national and State response thereto, cannot be predicted at this time, but could have a materially adverse effect on the economies of the State and its municipalities, including the District, its finances and credit ratings.

Use of 2020 Series AB Bond Proceeds

The proceeds of the 2020 Series A Bonds will be used to (i) finance the District's Clean Water Project (as described under "CLEAN WATER PROJECT" herein), including reimbursing the District for prior expenditures relating to the Clean Water Project and prepaying certain State Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project, and (ii) pay costs of issuance related to the 2020 Series A Bonds.

The proceeds of the 2020 Series B Bonds will be used to (i) advance refund certain outstanding Bonds of the District previously issued to finance the Clean Water Project and (ii) pay costs of issuance related to the 2020 Series B Bonds. See "DESCRIPTION OF THE 2020 SERIES AB BONDS – Plan of Refunding" herein.

DESCRIPTION OF THE 2020 SERIES AB BONDS

General

The 2020 Series AB Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein). The 2020 Series A Bonds will be in the denomination of \$5,000 or any integral multiple thereof and the 2020 Series B Bonds will be in the denomination of \$1,000 or any integral multiple thereof.

The 2020 Series AB Bonds will be dated the date of delivery, and will bear interest payable semiannually on April 1 and October 1, in each year, commencing October 1, 2020, at the rates per annum set forth on the inside cover page of this Official Statement. The 2020 Series A Bonds will mature on October 1 and the 2020 Series B Bonds will mature on April 1, in each case in each of the years and the amounts set forth on the inside cover page of this Official Statement.

Principal of and interest on the 2020 Series AB Bonds will be paid directly to The Depository Trust Company (“DTC”) by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the bondowner. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Redemption

Optional Redemption – 2020 Series A Bonds. The 2020 Series A Bonds maturing on and after October 1, 2031 will be subject to redemption prior to their maturity, at the election of the District in whole or in part at any time on or after October 1, 2030 (each herein a “Redemption Date”) from time to time, at the election of the District, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued and unpaid interest thereon to the Redemption Date.

If less than all of the 2020 Series A Bonds are to be so redeemed, the 2020 Series A Bonds (or portions thereof) to be redeemed shall be selected by the Trustee in accordance with DTC procedures (so long as DTC or its nominee is the bondowner) or by lot or in any customary manner of selection as determined by the Trustee.

Optional Redemption – 2020 Series B Bonds. The 2020 Series B Bonds maturing on and after April 1, 2031 will be subject to redemption prior to their maturity, at the election of the District in whole or in part at any time on or after April 1, 2030 (the “Initial Par Call Redemption Date”) from time to time, at the election of the District, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued and unpaid interest thereon to the Redemption Date.

The 2020 Series B Bonds also will be subject to redemption prior to the Initial Par Call Redemption Date, at the election of the District in whole or in part at any time and from time to time, at the Make-Whole Redemption Price described below.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the 2020 Series B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2020 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020 B Bonds are to be redeemed, discounted to the date on which the 2020 Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus (i) 5 basis points for the 2020 Series B Bonds maturing in 2021 and 2022, (ii) 10 basis points for the 2020 Series B Bonds maturing in 2026, (iii) 15 basis points for the 2020 Series B Bonds maturing in 2027 to 2029 (inclusive), (iv) 20 basis points for the 2020 Series B Bonds maturing in 2030 to 2032 (inclusive) and 2039, and (v) 25 basis points for the 2020 Series B Bonds maturing in 2033 to 2035 (inclusive), in each case plus accrued and unpaid interest on the 2020 Series B Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2020 Series B Bonds to be redeemed; (taking into account any sinking fund installments for such bonds) provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually-traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

If the 2020 Series B Bonds are registered in book-entry only form and so long as DTC, its nominee or a successor securities depository is the sole registered owner of the 2020 Series B Bonds, if less than all of the 2020 Series B Bonds of a maturity are called for redemption, the particular 2020 Series B Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the 2020 Series B Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect.

Mandatory Sinking Fund Redemption – 2020 Series A Bonds.

The 2020 Series A Bonds maturing on October 1, 2045 are subject to redemption, in part, as selected by the Trustee in accordance with DTC procedures, (so long as DTC or its nominee is the bondowner) or by lot, at a redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest, if any, to the date of redemption, on October 1 in each of the years set forth in the following table, in the principal amount specified in each of those years:

<u>Year</u>	<u>Principal Amount</u>
2041	\$850,000
2042	895,000
2043	940,000
2044	985,000
2045*	1,035,000

* Stated Maturity

Mandatory Sinking Fund Redemption – 2020 Series B Bonds.

The 2020 Series B Bonds maturing on April 1, 2039 are subject to redemption, in part, as selected by the Trustee in accordance with DTC procedures, (so long as DTC or its nominee is the bondowner) or by lot, at a redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest, if any, to the date of redemption, on April 1 in each of the years set forth in the following table, in the principal amount specified in each of those years:

<u>Year</u>	<u>Principal Amount</u>
2036	\$8,985,000
2037	7,800,000
2038	7,665,000
2039*	7,535,000

* Stated Maturity

The MDC, at its option, may credit against any mandatory sinking fund redemption requirement any term bonds of the maturity then subject to redemption which have been purchased and canceled by the MDC or which have been redeemed and not previously applied as a credit against any mandatory sinking fund redemption requirement.

Notice of Redemption. Notice of redemption shall be mailed not less than twenty (20) nor more than forty-five (45) days prior to the respective Redemption Date (or such greater period of time as may be required by any Securities Depository), by first-class mail, to the registered owner of such bond at such bondowner's address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose.

Plan of Refunding

The 2020 Series B Bonds are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, and a refunding bond resolution adopted by the District Board at a meeting held on July 13, 2020 to advance refund the outstanding maturities of the District’s revenue bonds listed below (the “Refunded Bonds”).

Refunded Bonds

Clean Water Project Revenue Bonds, 2013 Series A

<u>Dated</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Maturity or Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
6/19/2013	4/1/2021	\$1,000,000	5.000%	4/1/2021	100.00%	416498AH6
	4/1/2022	1,000,000	5.000%	4/1/2022	100.00%	416498AJ2
	4/1/2023	1,000,000	5.000%	4/1/2022	100.00%	416498AK9
	4/1/2024	1,000,000	5.000%	4/1/2022	100.00%	416498AL7
	4/1/2025	1,000,000	5.000%	4/1/2022	100.00%	416498AM5
	4/1/2026	1,000,000	3.250%	4/1/2022	100.00%	416498AN3
	4/1/2027	1,000,000	3.250%	4/1/2022	100.00%	416498AP8
	4/1/2028	1,000,000	3.375%	4/1/2022	100.00%	416498AQ6
	4/1/2029	1,185,000	5.000%	4/1/2022	100.00%	416498AR4
	4/1/2030	1,330,000	5.000%	4/1/2022	100.00%	416498AS2
	4/1/2031	3,510,000	5.000%	4/1/2022	100.00%	416498AT0
	4/1/2032	5,550,000	5.000%	4/1/2022	100.00%	416498AU7
	4/1/2036	27,000,000	5.000%	4/1/2022	100.00%	416498AW3
	4/1/2039	19,000,000	4.000%	4/1/2022	100.00%	416498AX1
	4/1/2039	<u>5,000,000</u>	5.000%	4/1/2022	100.00%	416498AY9
		<u>\$70,575,000</u>				

Upon delivery of the 2020 Series B Bonds, a portion of proceeds of the 2020 Series B Bonds will be placed in an irrevocable escrow deposit fund (the “Escrow Deposit Fund”) established with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) under an escrow agreement (the “Escrow Agreement”) dated as of the date of delivery of the 2020 Series B Bonds, between the Escrow Agent and the District. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the government of the United States of America including United States Treasury State and Local Government Series (“SLGS”) securities, United States Treasury bonds, notes and bills, Federal National Mortgage Association (“FNMA”) and Federal Home Loan Mortgage Corporation (“FHLMC”) securities, and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the option of the issuer of the securities (the “Escrow Securities”). The principal of and interest on the Escrow Securities, when due, will provide amounts sufficient to pay the principal, interest and redemption premium on the Refunded Bonds to the redemption dates or maturity (the “Escrow Requirements”). All investment income on and maturing principal of the Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal, interest and redemption premium on the Refunded Bonds will be irrevocably deposited by the District for payment of the Refunded Bonds. The remaining proceeds of the 2020 Series B Bonds will be used to pay costs of issuance and underwriters’ discount.

BOOK-ENTRY-ONLY SYSTEM

For a description of the Book-Entry System, see Appendix F.

Effect of Discontinuance of Book-Entry System

The following procedures shall apply if the book-entry system is discontinued with respect to the 2020 Series AB Bonds.

Principal and Interest Payments. Principal of the 2020 Series AB Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2020 Series AB Bonds will be payable to the registered owner thereof as of each record date on each interest payment date by check mailed to such registered owner at the address shown on the bond register maintained by the Trustee, or on the special record date established for the payment of defaulted interest. However, registered owners of \$1,000,000 or more in aggregate principal amount of the 2020 Series AB Bonds may be paid interest by wire transfer upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date.

Registration and Transfer. The Trustee will keep or cause to be kept, at its corporate trust office in Hartford, Connecticut, sufficient books for the registration and transfer of the 2020 Series AB Bonds, and, upon presentation of the 2020 Series AB Bonds for each such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on such books such 2020 Series AB Bonds. Any 2020 Series Bond may, in accordance with its terms, be transferred upon such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered 2020 Series AB Bonds for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2020 Series Bond shall be surrendered for transfer, the MDC shall execute and the Trustee shall authenticate and deliver a new Bond of the same maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2020 Series Bond during the period twenty (20) days before the mailing of a notice of redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or MDC in connection with such exchange.

SOURCES AND USES OF PROCEEDS OF THE 2020 SERIES AB BONDS

The MDC expects to apply the proceeds from the sale of the 2020 Series AB Bonds for the purpose of financing a portion of the cost of the Clean Water Project and to advance refund the Refunded Bonds as follows:

Sources of Funds			
	<u>2020 Series A Bonds</u>	<u>2020 Series B Bonds</u>	<u>Total</u>
Bond Proceeds and Other Sources:			
Par Amount of the 2020 Series AB Bonds	\$55,010,000.00	\$76,065,000.00	\$131,075,000.00
2013 Series A Debt Service Fund.....	-	1,429,166.68	1,429,166.68
Original Issue Premium.....	15,448,049.45	-	15,448,049.45
Total Sources	<u>\$70,458,049.45</u>	<u>\$77,494,166.68</u>	<u>\$147,952,216.13</u>
Uses of Funds			
Fund Deposits:			
Bond Proceeds Account ⁽¹⁾	\$69,897,400.79	-	\$69,897,400.79
Escrow Deposit Fund	-	\$76,935,985.06	76,935,985.06
Delivery Date Expenses:			
Costs of Issuance ⁽²⁾	321,054.44	225,729.77	546,784.21
Underwriters' Discount	239,594.22	332,451.85	572,046.07
Total Uses	<u>\$70,458,049.45</u>	<u>\$77,494,166.68</u>	<u>\$147,952,216.13</u>

⁽¹⁾ \$20,000,000 will be applied to finance the District’s Clean Water Project (as described under “CLEAN WATER PROJECT” herein), including reimbursing the District for prior expenditures relating to the Clean Water Project, and the balance will be applied to prepay certain State Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project.

⁽²⁾ Costs of issuance include legal fees and other costs incurred in connection with the issuance of the 2020 Series AB Bonds and the rounding amount.

Amounts in the Bond Proceeds Account will be applied to reimburse the District for prior expenditures relating to the Clean Water Project and to prepay certain State Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project. The District expects that prepayment to occur on the business day immediately following the date of delivery of the 2020 Series A Bonds. The District has been advised that the State reasonably expects to recycle the prepayment amount into new Clean Water Fund Program obligations within six months of receipt of such funds.

Amounts on deposit in the Escrow Deposit Fund will be invested in Escrow Securities and applied to redeem the Refunded Bonds on or about April 1, 2021 and April 1, 2022. See “DESCRIPTION OF THE 2020 SERIES AB BONDS – Plan of Refunding” herein.

Amounts in the Bond Proceeds Account and Costs of Issuance Account under the Indenture will be invested by the Trustee at the direction of an Authorized Officer of the MDC in such Investment Obligations as are permitted by the Indenture.

DEBT SERVICE REQUIREMENTS

The following table shows the future debt service requirements on outstanding Bonds and the 2020 Series AB Bonds.

Annual Debt Service on Outstanding Bonds as of Date of Issuance of 2020 Series AB Bonds

Fiscal Year Ended December 31	Outstanding Revenue Bonds ⁽¹⁾	2020 Series AB Principal	2020 Series AB Interest	Total
2020	\$6,213,000	\$1,815,000	\$436,894	\$8,464,894
2021	9,347,250	5,295,000	4,274,402	18,916,652
2022	9,348,250	5,330,000	4,106,639	18,784,889
2023	9,350,500	2,780,000	3,938,666	16,069,166
2024	9,349,250	2,795,000	3,799,666	15,943,916
2025	9,349,250	2,815,000	3,659,916	15,824,166
2026	9,350,000	5,430,000	3,508,346	18,288,346
2027	9,351,000	5,520,000	3,307,582	18,178,582
2028	9,346,750	5,615,000	3,098,146	18,059,896
2029	9,347,000	5,900,000	2,879,122	18,126,122
2030	9,351,000	6,125,000	2,650,306	18,126,306
2031	9,348,000	8,365,000	2,394,081	20,107,081
2032	9,347,750	9,705,000	2,089,342	21,142,092
2033	9,349,500	2,470,000	1,841,677	13,661,177
2034	9,347,500	10,895,000	1,654,781	21,897,281
2035	9,351,250	9,850,000	1,375,230	20,576,480
2036	9,349,750	9,650,000	1,123,608	20,123,358
2037	9,347,500	8,500,000	875,342	18,722,842
2038	9,348,750	8,400,000	642,235	18,390,985
2039	9,347,500	8,305,000	410,773	18,063,273
2040	9,348,000	810,000	275,750	10,433,750
2041	9,349,250	850,000	235,250	10,434,500
2042	9,350,250	895,000	192,750	10,438,000
2043	0	940,000	148,000	1,088,000
2044	0	985,000	101,000	1,086,000
2045	0	1,035,000	51,750	1,086,750
	\$211,888,250	\$131,075,000	\$49,071,254	\$392,034,504

(1) Excludes principal and interest payments made in Fiscal Year 2020 prior to the date of issuance of the 2020 Series AB Bonds and excludes debt service on Refunded Bonds.

SECURITY FOR THE 2020 SERIES AB BONDS

The 2020 Series AB Bonds are secured by a pledge of, and are payable from, the Trust Estate, including Pledged Revenues, which are special revenues to be received by the MDC from its “Clean Water Project Charge” (previously referred to as the “Special Sewer Service Surcharge”) (described below), together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate on a parity with the 2013 Series A Bonds, the 2014 Series A Bonds and all other outstanding Bonds hereafter issued under the Indenture.

The Clean Water Project Charge is a charge applied to the water bill of residential and commercial customers of MDC who utilize MDC's sewer system and are furnished water directly by MDC.

The Authorizing Acts provide that the foregoing pledge made in the Indenture shall be valid and binding from the date of the Special Obligation Indenture; the revenues, receipts, funds or moneys so pledged and thereafter received by the MDC shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and the lien of any pledge made under the Indenture shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the MDC, irrespective of whether such parties have notice thereof. In furtherance of the pledge, the Indenture requires the MDC promptly to turn over to the Trustee for deposit in the Revenue Fund all Pledged Revenues received by it.

The Bonds are not a general obligation of the MDC. The Bonds shall be payable solely from the Trust Estate and shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof other than the MDC or a pledge of the faith and credit of the State or of any such political subdivision other than the MDC. Neither the State nor any political subdivision thereof other than the MDC shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

The Clean Water Project Charge by ordinance may be used only to pay principal and interest on indebtedness issued for the purpose of financing the Clean Water Project and to pay capital expenses incurred for the Clean Water Project. As such, it is available only to pay debt service on the Bonds, any subordinate revenue bonds, and any general obligation bonds or Clean Water Fund borrowings by the District from the State to finance the Clean Water Project (see "CLEAN WATER FUND PROGRAM" herein). It is not available to pay operating expenses of the District. The Indenture permits Clean Water Project Charge revenues in the Rate Stabilization Fund to be withdrawn to pay capital expenditures of the Clean Water Project.

Flow of Funds in the Indenture

The MDC is to turn over Pledged Revenues promptly (at least monthly) to the Trustee for deposit into the Revenue Fund.

On the fifth day of each month (or, if not a Business Day, on the next succeeding Business Day) the Trustee will withdraw from the Revenue Fund the amounts on deposit in the Revenue Fund to deposit or credit the following accounts and funds:

FIRST, unless otherwise provided in any Supplemental Indenture with respect to Bonds,

- Into the Interest Account, the amount accrued for the prior month as interest on the Bonds or Swaps, if any, for each Series of Bonds or Swap Payments on Swaps accrued for the prior month less any Swap Receipts accrued for the prior month, provided that the deposit immediately preceding any Interest Payment Date shall be the balance necessary to make such payment, as well as all amounts accrued for the prior month as Term-Out Payments in respect of a Swap.
- Into the Principal Installment Account, the amount accrued for the prior month as principal due on each Series of Bonds, whether at maturity or pursuant to mandatory sinking fund redemption on the next scheduled Principal Installment Date, provided that the deposit immediately preceding any Principal Installment Date shall be the balance necessary to make such payment.

SECOND – pro rata, to each debt service reserve fund created pursuant to the terms of any Supplemental Indenture for the benefit of any Series of Bonds to cause any debt service reserve fund requirement established under such Supplemental Indenture to be satisfied.

THIRD – to any other trustee or paying agent for indebtedness of the MDC (this is intended to allow for the issuance of revenue bonds structurally subordinated to the Bonds).

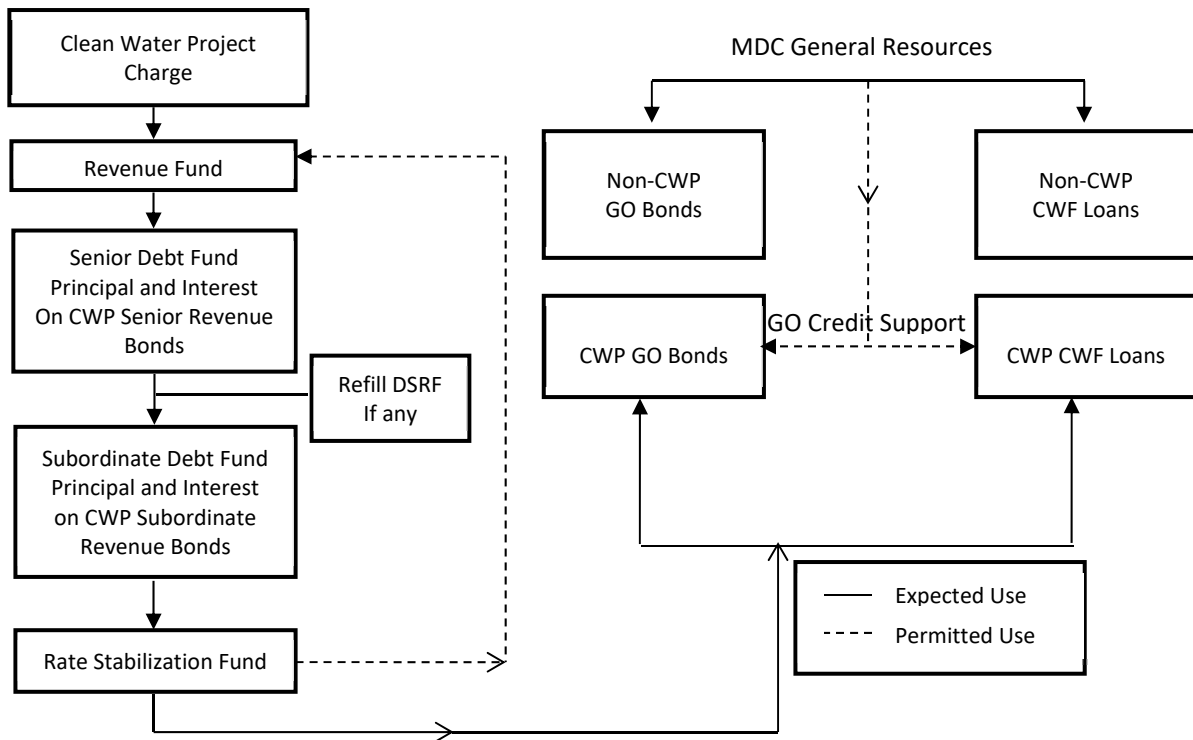
FOURTH – into the Redemption Fund, the amount, if any specified in writing by the MDC to the Trustee.

FIFTH – into the Rate Stabilization Fund, the balance. Potential uses of the balances in the Rate Stabilization Fund are discussed in detail below in “The Rate Stabilization Fund.”

The 2020 Series AB Bonds are not secured by a debt service reserve fund under the Indenture.

The fact that the MDC has not received sufficient Pledged Revenues with which to make the deposits or credits each month as prescribed above is not, by the fact itself, to be construed as an “Event of Default” under the Indenture.

The following diagram illustrates the overall fund flows.



The Rate Stabilization Fund

The Rate Stabilization Fund is intended to allow the MDC to manage the impact of the Clean Water Project Charge upon ratepayers by allowing moneys to accumulate in the fund prior to the years of peak debt service on Clean Water Project borrowings and to be used to offset year to year increases in the Clean Water Project Charge that otherwise would be required if it were to match the year to year increases in debt service. The

Rate Stabilization Fund also cushions the MDC against shortfalls in collections. For purposes of the Coverage Covenant (described below) and the Additional Bonds test, the amount of such deposits that can be included as Revenues Available for Debt Service in any Fiscal Year is limited to 35% of Debt Service Requirements for such Fiscal Year.

The MDC may also withdraw amounts in the Rate Stabilization Fund for purposes constituting a permitted use of the Clean Water Project Charge as set out in the ordinance establishing such surcharge. The ordinance only permits the Clean Water Project Charge to be used for payment of principal and interest for indebtedness incurred to finance the Clean Water Project (whether Bonds, subordinate revenue bonds, Clean Water Fund loans, or general obligation bonds) or to capital expenditures for purposes of the Clean Water Project, or debt service on indebtedness incurred for purposes of the Clean Water Project. As of December 31, 2019 and June 30, 2020, there was a net balance of \$95.8 million and \$90.6 million, respectively, on deposit in the Rate Stabilization Fund.

Rate Covenant

The Indenture includes a rate covenant (the “Coverage Covenant”) providing that the MDC will establish, fix, and revise from time to time, prior to and during each Fiscal Year, and shall collect in each Fiscal Year beginning with the first complete Fiscal Year after issuance of the 2013 Series A Bonds, rates, fees and charges representing Pledged Revenues so that the amount of Revenues Available for Debt Service for such Fiscal Year, as certified by an Authorized Officer based on the MDC’s audited financial statements for such Fiscal Year, is equal to no less than an amount equal to 1.20 times the Debt Service Requirements in such Fiscal Year. In calculating Revenues Available for Debt Service, the MDC may withdraw moneys from the Rate Stabilization Fund and deposit them in the Revenue Fund, provided that the amount of such deposit that may be included as Revenues Available for Debt Service in a Fiscal Year is limited to 35% of Debt Service Requirements in such Fiscal Year.

Additional Bonds and Refunding Bonds

Pursuant to the Indenture, Special Obligation Bonds of the MDC are authorized to be issued without limitation as to amount except as provided in the Indenture or as may be limited by law.

The Indenture provides that no Additional Series of Bonds may be authorized and issued under the Indenture unless a certificate of an Authorized Officer of the MDC shall have been delivered to the Trustee stating that (i) the Revenues Available for Debt Service, based on the most recent Audited Financial Statements preceding the date of issuance of such Additional Bonds has been, with respect to either of the two prior Fiscal Years, equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year, or (ii) the Revenues Available for Debt Service for either of the last two Fiscal Years, adjusted for any adopted increases in the Clean Water Project Charge as if such increases had been in effect from the beginning of such Fiscal Year, were equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year.

No Refunding Bonds may be authorized and issued under the Indenture unless a certificate of an Authorized Officer of the MDC shall have been delivered to the Trustee stating that: (i) estimated average annual Debt Service Requirements on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service Requirement in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded.

No Debt Service Reserve Fund

The Indenture does not create a debt service reserve fund, but such accounts may be established in the future by a Supplemental Indenture to the Indenture. The 2020 Series AB Bonds will not be secured by a debt service reserve fund.

Remedies Do Not Include Acceleration

The Indenture provides for Events of Default, including (i) failure to pay principal and interest on any Bonds and (ii) failure to comply with the Indenture or default in the performance or observance of any covenant or agreement contained in the Indenture, any supplemental indenture or any Bond, upon written notice given by the Trustee or the holders of not less than one-third in principal amount of the Bonds. Upon the occurrence and continuance of an Event of Default, the Trustee may proceed to protect and enforce the rights of the bond holders by, among other things, mandamus or other suit, action or proceeding at law or in equity.

No property other than the Trust Estate is pledged or mortgaged to secure the Bonds, and remedies available do not include acceleration of the principal of the Bonds.

Covenant of the State

The 2020 Series AB Bonds are issued subject to the covenant of the State of Connecticut included in Section 11 of S.A. 14-21, which reads as follows:

The state of Connecticut does hereby pledge to and agree with the holders of any bonds, notes and other obligations issued by the Metropolitan District in Hartford County created pursuant to number 511 of the special acts of 1929, as amended, under the authority of chapter 103 of the general statutes or under section 4 of special act 90-27, as amended by section 6 of public act 93-380 and section 10 of this act, which are payable solely from the income and revenue of a particular facility, system or program or the revenues to be derived from sewerage system use charges, and with those parties who may enter into contracts with the district in respect of the same, that the state will not limit or alter the rights vested in the authority to charge and collect such income, revenues, or sewerage system use charges, or in the holders of any bonds, notes or other obligations of the district until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the district, provided nothing contained herein shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds, notes and other obligations of the district or those entering into contracts with the district. The district is authorized to include this pledge and undertaking for the state in such bonds, notes and other obligations or contracts.

The Bonds are issued pursuant to the authorizations referred to in Section 11, and accordingly the MDC has included the foregoing pledge in the Third Supplemental Indenture.

CLEAN WATER PROJECT¹

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 Environmental

¹ *The Clean Water Project, so called, should not be confused with references herein to the "Clean Water Fund," a program of the State of Connecticut to provide loans and grants to municipal entities for funding sewerage projects generally, and a source of funding for the Clean Water Project. See "Clean Water Fund Program" herein.*

Protection Agency (“EPA”) Sanitary Sewer Overflows (“SSO”) Federal consent decree and a Connecticut Department of Energy and Environmental Protection (“DEEP”) Combined Sewer Overflows (“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 added to the water bills of customers in Member Municipalities who have sewage and water service from the District.

Evolution of the Clean Water Project

As originally conceived in 2005, and as set forth in the initial LTCP, the Clean Water Project was estimated to cost approximately \$2.1 billion, and was 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 Hartford 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 submitted to Connecticut DEEP in December 2018 and was resubmitted with revisions 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 EPA in 2012 for communities dealing with CSO compliance issues while 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, while work continues on the South Tunnel. The District remains committed to working with DEEP, but cannot predict when the resubmitted document will be approved, or its final content.

Cost Estimates

Because the resubmitted LTCP incorporates an Integrated Plan, the nature of the Clean Water Project and its overall cost is not directly comparable to the LTCP as currently approved. Current estimates to complete the proposed LTCP are that the Clean Water Project Charge would remain approximately flat for the next several years and then increase to approximately \$7.40 per hundred cubic feet (“ccf”) and remain at least at that level for a considerable period as the ongoing capital maintenance and rehabilitation program continues. The District Board sets the Clean Water Project Charge without the need for other approvals. The primary reasons for the increase in the Clean Water Project Charge are due to inflation of costs to complete the LTCP on 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 taxes remain 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 Clean Water Project and its cost and financing. No assurance can be given as to the final cost of the Clean Water Project or the precise composition of its funding.

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, Public Act No.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 Clean Water 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.

CLEAN WATER FUND PROGRAM

The Metropolitan District is a participant in the State’s Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at the rate of 2% per annum. All participating municipalities receive funding for eligible expenses of 20% grant and 80% loan, except for combined sewer overflow projects (50% grant and 50% loan) and denitrification projects (30% grant and 70% loan). Loans are made pursuant to a Project Loan and Grant Agreement (the “Loan Agreement”). During construction the municipality

enters into a short-term borrowing agreement with the State called an Interim Funding Obligation (“IFO”) from which it pays project costs as needed. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Upon project completion, or, in the case of certain larger projects, annually, a 20-year debt obligation called a Project Loan Obligation (“PLO”) is issued to the State. The municipal obligations issued to the State are secured by the full faith and credit of the municipality and/or a dedicated source of revenue of such municipality.

The District’s Clean Water Fund Project Loan Obligations are secured by the District’s full faith and credit and constitute a general obligation of the District. The District has had exploratory conversations with the State regarding possibly refinancing certain additional State Clean Water Fund Project Loan Obligations for the purpose of both realizing net present value savings and reducing the amount of debt subject to the District’s general obligation debt limit. The State and the District have discussed further exploration of a revenue-only pledge on future State Clean Water Fund Interim Funding Obligations and Project Loan Obligations.

Amortization of each loan is required to begin one year from the earlier of the scheduled completion date specified in the Loan Agreement or the actual project completion date, or, in the case of certain larger projects, the earlier of such date or annually commencing one year after the date of the agreement. The final maturity of each loan is the earlier of twenty years from the scheduled completion date or twenty years from the date of the PLO. Principal and interest payments are made (1) in monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Monthly installments may be in level debt service or amortized with level principal. Borrowers may prepay their loans at any time prior to maturity without penalty.

CLEAN WATER PROJECT PLAN OF FINANCE

Section 12 of the District’s Sewer Ordinances was amended on October 1, 2007 by the District Board to allow the implementation of a Clean Water Project Charge to fund the debt issued for the Clean Water Project. The Clean Water Project Charge was implemented in January 2008 and by ordinance may be used only to pay principal and interest on indebtedness issued for the purpose of financing the Clean Water Project or to pay capital expenses for the Clean Water Project. It is not available to pay operating expenses.

The District’s goal is to fund project costs with State and Federal grants and State and Federal low-cost loans as they become available, and open market debt. Bonds and loans that are solely supported by the Clean Water Project Charge will not be included in the calculation of overlapping debt of the Member Municipalities and are not general obligations of the District.

The District’s goal is to fund approximately 25% to 30% of the Clean Water Project with revenue bonds or general obligation debt supported by the Clean Water Project Charge and to fund approximately 40% to 45% of the cost with State and Federal lost-cost, State Revolving Fund loans from the State of Connecticut Clean Water Revolving Fund Program (“Clean Water Fund”) also supported by the Clean Water Project Charge. Finally, it is expected that 25% to 30% of the entire project will be funded with State and Federal grants which require no repayment from the MDC.

The additional revenue bonds to fund the Clean Water Project are expected to be issued under the Indenture. Other Clean Water Project debt service will include Clean Water Fund loans and general obligation borrowings that will be issued only to finance the Clean Water Project and are expected to be paid from the Clean Water Project Charge. These Clean Water Fund loans and general obligation borrowings also can be supported by the MDC’s general resources as needed.

As of June 30, 2020, the MDC's Clean Water Project has received \$334,883,097 in Grants and \$599,918,966 in Loans under the State's Clean Water Fund.² As previously stated, the Grants require no repayment and the Loans bear a 2% interest per year. Additionally, as of June 30, 2020, the State has committed \$107,616,884 in Interim Funding Obligations and \$85,027,464 in Grants associated with the Clean Water Project.

As of June 30, 2020, the MDC has issued \$71.23 million in general obligation bonds to finance the Clean Water Project, and expects further bonds issued to finance the Clean Water Project to be Bonds issued pursuant to the Indenture. The District has issued \$225.0 million in Clean Water Project Revenue Bonds, 2013 Series A and 2014 Series A, of which \$196,740,000 remains outstanding. The Bonds are being repaid from the Clean Water Project Charge.

Further, the MDC's general obligation borrowings, whether for the Clean Water Project or its other capital purposes, are subject to an overall debt limit set out in the MDC Charter. The MDC could not borrow sufficient funds on a general obligation basis to finance all of the costs of the Clean Water Project without exceeding this debt limit. By statute, however, sewer indebtedness payable solely from sewer charges is not counted against the debt limit. Accordingly, all Bonds issued under the Indenture to finance the Clean Water Project without regard to the debt limit and without limiting the MDC's ability to borrow for its other capital purposes.

The Clean Water Project Charge is established annually as part of the MDC's budget process. It therefore cannot be pre-established for future periods, and while it is expected to be comparatively stable in terms of collectability, it is nevertheless subject to collection risk. The MDC believes it is good business practice to escalate the Clean Water Project Charge smoothly in the future as it borrows for the purpose of the Clean Water Project. Accordingly, it utilizes the Rate Stabilization Fund to allow the MDC to hold Pledged Revenues not theretofore used for debt service on borrowings for the Clean Water Project for the purposes of paying debt service on Clean Water Project indebtedness, including the Bonds, in future periods and to guard against shortfalls in collections. See "SECURITY FOR THE 2020 SERIES AB BONDS – Rate Stabilization Fund" herein.

The overall plan of finance for the Clean Water Project thus contemplates the issuance of revenue bonds under the Indenture, subject to an Additional Bonds test, which would be outside the MDC's debt limit contained in the MDC Charter. Such Bonds are secured by a gross pledge of revenues from the Clean Water Project Charge. Such revenues not required for payment of principal and interest on the Bonds could be released from the pledge of the Indenture to pay subordinate revenue bonds issued for the Clean Water Project, for Clean Water Fund borrowings for purposes of the Clean Water Project, for general obligation borrowing for purposes of the Clean Water Project or retained within the Rate Stabilization Fund to pay future principal and interest on the Bonds or to acquire capital assets related to the Clean Water Project.

The MDC believes this plan of finance will allow it to fulfill the aims of the Clean Water Project, comply with its debt limit under the MDC Charter, fund its other capital requirements, and maintain good business practices with respect to its customers.

² The MDC anticipates issuing an additional Interim Funding Obligation in the principal amount of \$28,551,055.35 on August 14, 2020 and receiving an additional grant in the amount of \$18,808,415.71.

The following table shows the breakdown of expected expenditures of the MDC in the next five years for the Clean Water Project.

Projected Clean Water Project Expenditures: 2020-2024
(millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Project Spend	\$73	\$116	\$167	\$154	\$63

Historical and Projected Project Funding

The following tables shows historical and projected funding sources for the Clean Water Project.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Revenue Bonds	\$85.000	\$140.000	-	-	-	-	-	\$225.000
CWF Loans ⁽¹⁾	77.549	24.821	65.992	79.242	71.511	109.748	71.406	535,102
GO Bonds ⁽²⁾	25.030	-	-	-	-	-	-	71,230
Total Debt	\$187.579	\$164.821	\$65.992	\$79.242	\$71.511	\$109.748	\$71.406	\$831,332

(1) An additional \$34.833 million in Clean Water Fund loans were entered into before 2013 for the Clean Water Project. See “CLEAN WATER FUND PROGRAM” herein.

(2) An additional \$46.2 million in General Obligation Bonds were issued prior to 2013 for the Clean Water Project.

Projected Clean Water Project Spending ⁽¹⁾
(millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Revenue Bonds	\$20.00	-	-	\$51.07	\$71.07
CWF Loans ⁽²⁾	\$25.12	\$39.06	\$68.24	\$65.36	\$197.78
GO Bonds	-	-	-	-	-
Total Debt	\$45.12	\$39.06	\$68.24	\$116.43	\$268.85

(1) Projections based on expected construction spending for the Clean Water Project.

(2) Clean Water Fund loans become permanently financed and begin principal payments six months after the scheduled completion date of the project financed.

The MDC believes that expected customer billings, including the Clean Water Project Charge, will continue to be affordable, as set out in the following table.

Projected MDC Rate Burden

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Base Water Rate per CCF	\$4.27	\$4.59	\$4.93
Clean Water Project Charge Rates per CCF	\$4.10	\$4.10	\$4.10
Representative Annual Water Bill based on 80 CCF Usage*	\$669	\$695	\$723

* Excludes other revenue sources, such as the component of the MDC’s charges contained in property taxes.

The District follows a formalized enforcement and collection process. Customers are notified of delinquency through the District's automated billing process. Penalties escalate as the receivable ages. Penalties include the shutoff of service, placement of a lien on the subject property, and ultimately having the account referred to a more formal legal process. The District offers flexible payment plans to avoid penalties and the more formal legal process. The Governor's guidance during the COVID-19 Pandemic included the suspension of any customer late fee assessments as well as water service shut-offs. This guidance is set to expire in early September. Once the moratorium has expired, the District intends to pursue the delinquent customers utilizing its established process.

The MDC has a diversified base of rate payers. The table below shows the top payers of the Clean Water Project Charge and the percentage of collections represented by each.

Top Clean Water Project Charge Rate Payers Fiscal 2019

	Hundreds of Cubic Feet Usage	Clean Water Project Charge Revenue (Millions)	% of Total Clean Water Project Charge Revenues	Cumulative Total %
Niagara Water	280,740	\$1.158	1.9%	1.9%
City of Hartford	255,323	\$1.05	1.7%	3.6%
Hartford Hospital	238,750	\$0.98	1.6%	5.2%
Pratt & Whitney Aircraft	118,794	\$0.49	0.8%	6.0%
Coca-Cola Bottling Co of NE Inc.	106,061	\$0.43	0.7%	6.7%
St Francis Hospital & Medical Ctr.	85,262	\$0.35	0.6%	7.3%
Kohler Mix Specialties of CT	76,535	\$0.31	0.5%	7.8%
Trustees of Trinity College	76,061	\$0.31	0.5%	8.3%
State of Connecticut	74,358	\$0.30	0.5%	8.8%
University of Hartford	69,589	\$0.29	0.5%	9.3%
Town of West Hartford	64,384	\$0.26	0.4%	9.7%
Hartford Steam Company	63,298	\$0.26	0.4%	10.1%
Carriage Place Apartments LLC	48,896	\$0.20	0.3%	10.5%
Town of East Hartford	43,870	\$0.18	0.3%	10.7%
The Hartford	41,355	\$0.17	0.3%	11.0%

HISTORICAL COLLECTIONS

The Clean Water Project Charge has been assessed and collected since January 1, 2008. As of December 31, 2019 and in total, the MDC has collected \$432.93 million since 2008. The average collection rate of customers paying on time and in full since the inception of the Clean Water Project Charge is 92.4%. The following table shows historical collections and amounts used to fund Clean Water Project associated debt service. Remaining collections will be transferred to the Rate Stabilization Fund.

	2016	2017	2018	2019
Clean Water Project Charge	\$3.25	\$3.50	\$3.80	\$4.10
Revenue Bond Debt Service	\$14,196,850	\$14,146,450	\$14,109,800	\$13,708,800
General Obligation Bond Debt Service	4,795,263	4,732,363	4,668,563	4,608,213
Clean Water Fund Loan Debt Service	17,718,002	22,441,791	28,458,624	35,264,801
Total Clean Water Project Associated Debt Service	\$36,710,115	\$41,320,604	\$47,236,987	\$53,581,814
Senior Debt Service Coverage*	3.70x	3.88x	3.81x	4.47x

* Total Clean Water Project Charge revenues divided by senior debt service (revenue bonds).

**PROJECTED CLEAN WATER PROJECT CHARGE RATES,
REVENUES AND DEBT SERVICE COVERAGE**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Clean Water Project Charge Rate ⁽¹⁾ (per ccf)	\$4.10	\$4.10	\$4.10	\$4.10
Consumption Projection	15,295,000	15,295,000	15,295,000	15,295,000
Total Pledged Revenues	<u>\$62,709,500</u>	<u>\$62,709,500</u>	<u>\$62,709,500</u>	<u>\$62,709,500</u>
Outstanding Senior Bond Debt Service ⁽²⁾	\$12,019,750	\$9,347,250	\$9,348,250	\$9,350,500
2020 Series AB Bond Debt Service ⁽³⁾	2,251,894	9,569,402	9,436,639	6,718,666
Total Senior Bond Debt Service	<u>14,271,644</u>	<u>18,916,652</u>	<u>18,784,889</u>	<u>16,069,166</u>
Projected Debt Service Coverage	<u>4.39x</u>	<u>3.32x</u>	<u>3.34x</u>	<u>3.90x</u>
Available for transfer From Rate Stabilization Fund	\$4,995,075	\$6,620,828	\$6,574,711	\$5,624,208
Potential Senior Bond Coverage with Use of Rate Stabilization fund ⁽⁴⁾	4.74x	3.67x	3.69x	4.25x
Subordinated General Obligation Bond Debt Service ⁽⁵⁾	\$ 4,149,634	\$ 4,086,863	\$ 4,021,863	\$ 3,977,581
Clean Water Fund Loan Debt Service	35,354,354	32,648,040	32,144,915	31,642,215
Pay go	13,319,609	10,402,626	9,273,718	17,113,764
Total Other Uses	<u>\$52,823,597</u>	<u>\$47,137,529</u>	<u>\$45,440,496</u>	<u>\$52,733,560</u>
Expected Rate Stabilization Fund Balances at Fiscal Year End ^(1,2,3,4)	\$91,557,958	\$88,350,615	\$86,967,257	\$81,004,482

(1) Rates for 2021 and later are projected and will be determined through the MDC's annual budgeting process.

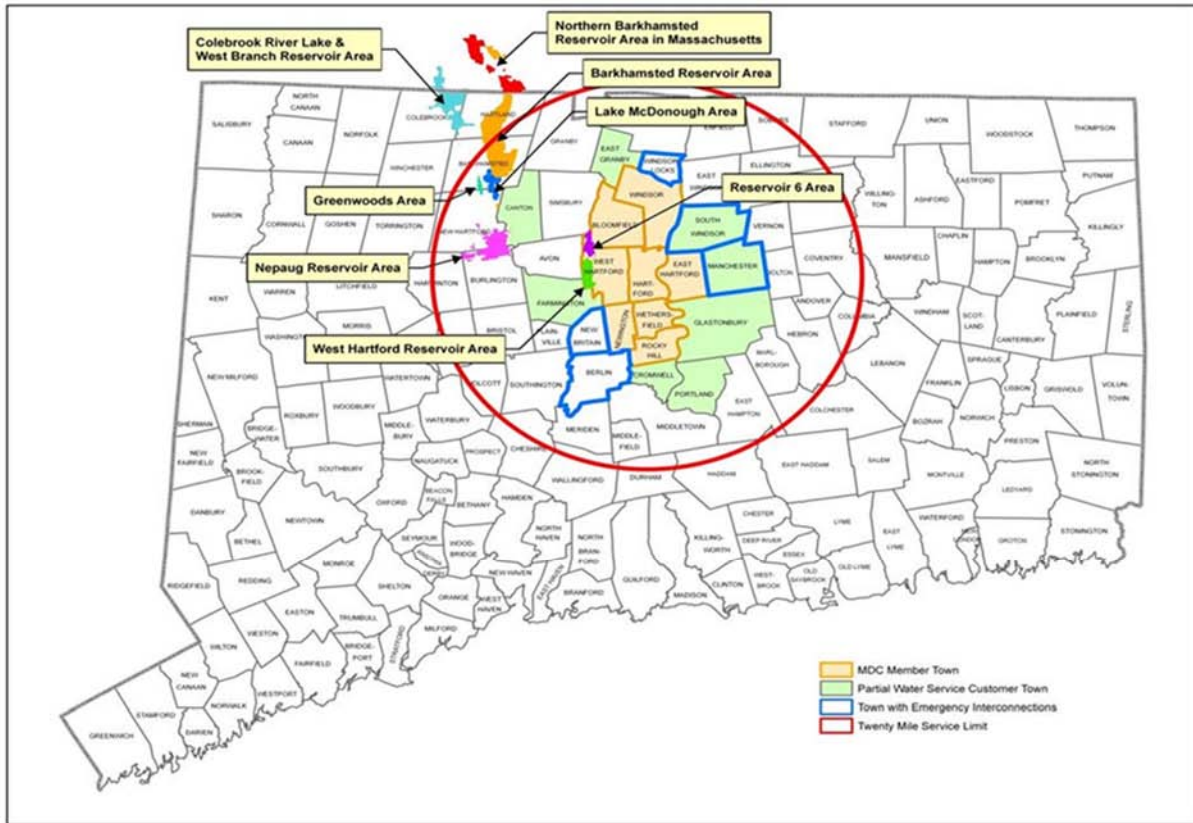
(2) Excludes debt service on Refunded Bonds and on 2020 Series AB Bonds.

(3) Based on actual 2020 Series AB Bond debt service. A \$51 million revenue bond issuance in 2023 is planned with debt service beginning in 2024.

(4) Includes balances anticipated to be in the Rate Stabilization Fund and available to be transferred to Pledged Revenues by the MDC, to the extent not transferred in earlier years or used to pay debt service on other indebtedness incurred for purposes of the Clean Water Project, and subject to an overall maximum of 35% of debt service on total senior revenue bonds. As of December 31, 2019 and June 30, 2020, there was a net balance of \$95.8 million and \$90.6 million, respectively, on deposit in the Rate Stabilization Fund.

(5) Subordinate general obligation bonds are general obligation bonds of the MDC incurred for purposes of the Clean Water Project. General obligations bonds and clean water fund loans for purposes of the Clean Water Project are not contractually subordinated but are structurally subordinated by the flow of funds established in the Indenture.

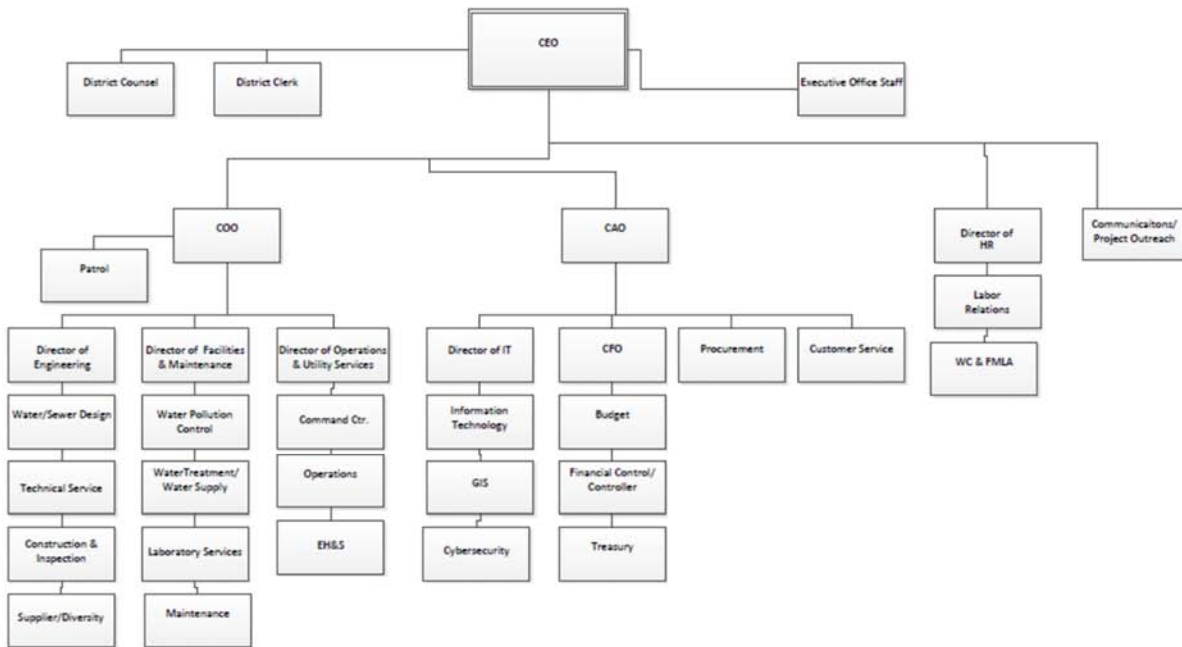
THE METROPOLITAN DISTRICT



Description of The District

The District was created by the Connecticut General Assembly in 1929 and operates as a specially chartered municipal corporation of the State under Act No. 511 of the 1929 Special Acts of the State, as amended (the “MDC Charter” or the “District’s 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 (collectively, the “Member Municipalities”). The District’s purpose is to provide, as authorized, a complete, adequate and modern system of water supply, sewage collection, treatment and disposal facilities for its Member Municipalities. Additionally, as a result of an amendment to the MDC Charter, 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 facilities and supplies water, under special agreements, to all or portions of non-member municipalities as well as various State facilities. The municipalities currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor and Windsor Locks.

Organizational Chart



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 of the State, and four are appointed by the leadership of the Connecticut State Legislature. Four non-voting commissioners are appointed from non-member municipalities, one each from the towns of Glastonbury, South Windsor, East Granby and Farmington. Appointments made by municipalities having three or more members are subject to the minority representation provisions of Section 9-167a of the Connecticut General Statutes. All commissioners serve without remuneration for a term of six years.

DISTRIBUTION OF DISTRICT BOARD MEMBERSHIP

	Commissioners	Appointed By:			
		Member Municipality	Non-Member Municipality	Governor	Connecticut State Legislature
Bloomfield.....	1	1	0	0	0
East Hartford.....	3	2	0	1	0
Hartford.....	5	5	0	0	0
Newington.....	2	1	0	1	0
Rocky Hill.....	1	1	0	0	0
West Hartford.....	4	3	0	1	0
Wethersfield.....	2	1	0	1	0
Windsor.....	1	1	0	0	0
District at Large.....	4	0	0	0	4
Farmington.....	1	*	0	1	0
Glastonbury.....	1	*	0	1	0
South Windsor.....	1	*	0	1	0
East Granby.....	0	*	0	0	0
Total.....	26	15	3	4	4

*Non-voting.

Powers and Responsibilities of the District Board

The District Board is authorized to establish ordinances or bylaws; organize committees and bureaus; define the powers and duties of such bodies; fix salaries and define the duties of all officers and employees; appoint deputies to any officers or agents of the District; and issue negotiable bonds, notes or other certificates of debt to meet the cost of public improvements or to raise funds in anticipation of taxes or water revenue, which debt shall be an 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 and to set the Clean Water Project Charge rate without any further approvals.

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

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

Consumer Advocate

Public Act No. 17-1 established an Independent Consumer Advocate to act as an independent advocate for consumer interest 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 Member Municipalities and the State Consumer Counsel. Such reports are available on the District’s website and the Consumer Counsel’s website.

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.

DISTRICT CHAIRS AND DISTRICT OFFICIALS

Function	Chair	Date Term Ends
District Board	William A. DiBella	December 2020
Water Bureau.....	Raymond Sweezy	December 2024
Bureau of Public Works	Richard V. Vicino	December 2021
Personnel, Pension & Insurance	Alvin E. Taylor	December 2021
Board of Finance	Pasquale J. Salemi	December 2022

Source: District Officials.

Position	District Officials
Chief Executive Officer.....	Scott W. Jellison
Chief Operating Officer.....	Christopher J. Levesque
Chief Administrative Officer.....	Kelly J. Shane
District Clerk	John S. Mirtle
District Counsel.....	Christopher R. Stone
Chief Financial Officer/Treasurer	Christopher P. Martin
Director of Human Resources	Robert J. Zaik
Director of Engineering.....	Susan Negrelli
Controller.....	[Vacant]
Director of Facilities.....	Thomas A. Tyler
Director of Information Technology	Robert B. Schwarm

Biographical Information

Scott W. Jellison – Chief Executive Officer: In 2015, the MDC appointed Scott W. Jellison as the District’s Chief Executive Officer. Mr. Jellison previously served as the Deputy CEO of Engineering & Operations for the District for 9 years. Prior to joining the MDC, Mr. Jellison served as Director of Project Management for the Department of Public Works, State of Connecticut. In addition, Mr. Jellison served as the Project Director for the CCEDA Projects. Mr. Jellison graduated from the University of Hartford with a Bachelor of Science degree in Mechanical Engineering in 1987.

Christopher J. Levesque – Chief Operating Officer: In April 2019, the MDC appointed Christopher J. Levesque as the District’s Chief Operating Officer. Mr. Levesque previously served 2 years as the Director of Operations and 11 years as the Assistant Manager of Water Treatment for the MDC. Mr. Levesque earned his Bachelor’s degree from Rensselaer Polytechnic Institute in 2004 and a Master degree in Environmental Engineering from the University of Hartford in 2015.

Kelly J. Shane – Chief Administrative Officer: In April 2019, the MDC appointed Kelly J. Shane as the District’s Chief Administrative Officer. Previously Ms. Shane served as the Director of Procurement for 5 years for the District. Prior to joining the MDC, Ms. Shane served as the Associate Director of Reporting for the Connecticut Health Insurance Exchange. Ms. Shane earned her Master of Business Administration from Salve Regina University in 1997 and a Bachelor of Science degree in 1991 from Bryant College.

Christopher R. Stone – District Counsel: In March 2020, the MDC appointed Christopher R. Stone as District Counsel. Previously Attorney Stone served for 31 years as Assistant District Counsel to the District, and as a partner at the law firm of Chadwick & Stone, LLP, of East Hartford, Connecticut. Mr. Stone received his Juris Doctorate from Columbus School of Law of Catholic University of America in 1984 and his Bachelor of Arts degree from the University of Connecticut in 1981.

Christopher P. Martin – Chief Financial Officer/Treasurer: In February 2020, the MDC appointed Christopher P. Martin as the District’s Chief Financial Officer/Treasurer. In March 2019 Mr. Martin was hired as the Interim Chief Financial Officer for the District. Prior to joining the MDC, Mr. Martin held the position of Assistant Treasurer, Debt Management for the State of Connecticut Office of the State Treasurer. Mr. Martin brought to the MDC over thirty years of finance and capital markets expertise. Mr. Martin earned both a Bachelor of Science and Master of Arts degree from the University of Connecticut.

District Employees

The following table illustrates the full-time budgeted District employees for the 2016-2020 Fiscal Years:

<u>Fiscal Year</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Employees	479	479	469	484	509

Source: District Officials. Actual full-time employees as of July 1, 2020 is 450.

District Employees Bargaining Units

<u>Bargaining Groups</u>	<u>Positions Covered</u>	<u>Contract Expiration Date</u>
Clerks, Technicians and Non-Supervisory Engineers – Local 3713	102	December 31, 2022
Supervisors – Local 1026	48	December 31, 2022
Operational – Local 184	206	December 31, 2022
Total Union Employees.....	356	

Source: District Officials. Budgeted positions for FY 2020.

Connecticut General Statutes Sections 7 473c, 7 474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of an affected municipality may reject an arbitration panel's decision by a two thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer.

District Functions

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

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

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

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

Additionally, the General Assembly of the State passed special legislation enabling the District to maintain a series of parks (developed by Riverfront Recapture) along the Connecticut River. The cost of maintaining Riverfront Recapture’s parks is incorporated into the District’s water budget and recovered through water rates.

The District also engages in surveying and mapping as a service to its Member Municipalities and its own operations.

SEWER AND WATER OPERATIONS

Water Pollution Control

Facilities for Sewer Service As of December 31

<u>Facilities for Sewer Service</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total General Fixed Assets ¹	\$1,905,708,421	\$1,814,591,656	\$1,675,401,598	\$1,477,341,669	\$1,289,127,930
Miles of Sewers:					
Sanitary	1,090	1,089	1,088	1,089	1,087
Combined	159	159	159	159	159
Storm	79	79	78	79	79
Estimated Sewer Connections	91,208	91,037	91,011	90,728	90,566
Estimated Sewered					
Population Units:					
Estimated Populations	364,173	364,969	364,793	365,289	366,470
Estimated Family Units Sewered.....	143,2631	144,451	143,558	144,657	143,558
Present Sewage Plant Capacity:					
Design Population	513,900	513,900	513,900	513,900	513,900
Design Flow (million gallons daily)...	105	105	105	105	105
Average Daily Flow (million gallons)	79	81	65	57	61

¹ Includes all physical facilities and capital projects.
Source: District Officials.

Treatment: Water pollution control operations include the primary and secondary treatment of wastewater that flows into the facilities, septic tank loads received at the Hartford facility, and sludge delivered from regional towns. The District operates four water pollution control treatment facilities: in East Hartford (12.5 million gallons per day), in Rocky Hill (7.5 million gallons per day), in Poquonock (5.0 million

gallons per day) and in Hartford (60 million gallons per day plus 110 million gallons per day wet weather capacity). All treatment processes are in compliance with the District’s National Pollution Discharge Elimination permits issued by DEEP.

Regulatory Compliance: The District entered into a consent order and a consent decree with the DEEP, the U.S. Department of Justice, and the U.S. Environmental Protection Agency to address sanitary sewer overflow, nitrogen reduction, and combined sewer overflow issues. The District has to date appropriated \$1.74 billion for the cost of compliance. See “Clean Water Project” herein.

Maintenance/Replacement: The District’s maintenance of its sewer system is part of the annual sewer operational budget. The District’s replacement program is funded through appropriations under the District’s Capital Improvement Budget.

Revenue: Effective January 1, 1982, the District formally adopted the Adjusted Ad Valorem sewer user charge method of funding its sewer operations. This method of funding allocates the estimated cost of providing sewer services to customers based on actual use of the sewer system. More specifically, the Adjusted Ad Valorem sewer user charge method recovers sewer system costs from three separate user classifications: (1) low flow users (less than 25,000 gallons of discharge per day); (2) high flow users (more than 25,000 gallons per day); and (3) non-municipal tax-exempt users.

Revenue from low flow users is derived from the tax levied on the District’s Member Municipalities and is shown under the revenue item “Tax on Member Municipalities.”

Revenue from high flow users is based on actual sewer flow discharges from those users. A surcharge is levied on high flow users whose share of costs, based on flow, exceeds the portion of their annual property tax payments rendered in support of the District’s sewer system. Conversely, high flow users are eligible for year-end rebates if their user charge, based on flow, is less than the portion of the property tax they pay in support of sewer services.

Sewer User Charge
As of January 1
(Per Hundred Cubic Feet)

2020	2019	2018	2017	2016
\$5.15	\$4.64	\$3.37	\$3.06	\$2.86

Source: District Officials.

Revenue from non-municipal tax-exempt properties is based on sewer flows from those properties. In addition, sewer user charge revenues from non-member municipalities, per written agreement, are based on actual sewer flows.

Cost Recovery: The District’s ability to recover costs associated with the operations of the sewer system is defined in the MDC Charter and Ordinances. Authority to levy a tax on the Member Municipalities and to bill a Sewer User Charge is defined in the MDC Charter. Specific ordinances relating to the District’s Adjusted Ad Valorem Sewer User Charge are found in the District’s General Sewer Ordinances.

Section 12 of the District’s Sewer Ordinances was amended on October 1, 2007 by the District Board to allow the implementation of a Clean Water Project Charge (previously the Special Sewer Service Surcharge) to fund the debt issued for the Clean Water Project. The Clean Water Project Charge was implemented in January 2008 and is used exclusively for the payment of debt service on bonds and loans

issued to finance the Clean Water Project and for capital expenditures for the Clean Water Project. The District’s goal is to fund project costs with State and Federal grants and State and Federal low-cost loans as they become available, and open market debt. Bonds and loans that are solely supported by the Clean Water Project Charge will not be included in the calculation of overlapping debt of the Member Municipalities. As of June 30, 2020, the District has issued \$676,301,444 as Interim Financing Obligations (the “IFO’s”) and Project Loan Obligations (the “PLO’s”) under the State’s Clean Water Fund Program associated with the Clean Water Project. See “Clean Water Fund Program” herein.³ The District has issued \$225.0 million in Clean Water Project Revenue Bonds, of which \$196,740,000 remains outstanding. The Bonds are being repaid from a portion of the Clean Water Project Charge and are not general obligations of the District. See “Clean Water Project” herein.

Clean Water Project Charge
(Previously the Special Sewer Service Surcharge)
 As of January 1
 (Per Hundred Cubic Feet)

2020	2019	2018	2017	2016
\$4.10	\$4.10	\$3.80	\$3.50	\$3.25

Source: District Officials.

Water Operations

Shortly after the District was created in 1929, approval was obtained from the Connecticut General Assembly and the Member Municipalities’ electorates to construct the Barkhamsted Reservoir located on the east branch of the Farmington River in the towns of Barkhamsted and Hartland. The Barkhamsted Reservoir is the largest single water supply reservoir in Connecticut and has a capacity of 30.3 billion gallons of water. The District also operates a water treatment plant facility in Bloomfield (35 million gallons per day) and West Hartford (70 million gallons per day).

The District has sought and received legislative and voter approval for various water programs, all with the basic objective of providing a water supply and water distribution system sufficient in size to meet current and anticipated future needs. The District’s average level of water production for 2019 was 45.8 million gallons per day.

³ The District anticipates issuing an additional Interim Funding Obligation in the amount of \$28,551,055.35 on August 14, 2020.

**Facilities for Water Service
As of December 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Utility Plant.....	\$608,196,939	\$599,920,958	\$575,779,741	\$555,389,868	\$529,985,144
Net Addition to Plant.....	8,275,981	24,141,217	20,389,873	25,404,724	75,559,276
Miles of Water Mains.....	1,562	1,557	1,554	1,553	1,551
Gross Miles Added During Year.....	3	4	1	2	2
Number of Hydrants.....	10,763	10,720	10,329	10,197	11,238
Number of Services.....	102,184	102,051	101,836	101,599	101,446
Number of Meters.....	98,250	99,949	98,239	102,987	101,400
Estimated Population Served.....	443,451	443,451	443,451	443,451	443,451

Source: District Officials.

**Number of Water Customers
As of December 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Domestic	93,461	95,505	95,471	95,420	95,280
Commercial	5,771	5,771	5,536	5,512	5,494
Industrial	545	545	592	592	591
Public & Other	1,848	1,848	1,750	1,657	1,603
Total.....	101,625	103,669	103,349	103,181	102,968

Source: District Officials.

**Average Daily Consumption
As of December 31
(Million Gallons Per Day)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Domestic	23.06	21.38	25.08	24.70	25.92
Commercial	8.35	8.43	6.47	6.38	7.86
Industrial	1.71	1.61	0.84	0.74	0.84
Municipal & Other	2.94	5.89	6.92	7.76	5.45
Total Million Gallons Per Day^{1,2}.....	36.06	37.31	39.31	39.59	40.07
Maximum Day Production	63.65	68.80	61.68	71.94	70.09
Minimum Day Production.....	38.94	37.84	39.15	39.90	37.57

1 Represents net consumption billed.

2 Total may not add due to rounding.

Source: District Officials.

**Water Utility Unit Charge
As of January 1
(Per Hundred Cubic Feet)**

2020	2019	2018	2017	2016
\$3.97	\$3.50	\$3.14	\$2.77	\$2.66

Source: District Officials.

Treatment: Standards for the quality of drinking water supplied to District customers are maintained in conformity with the public health code of the Connecticut Department of Public Health and as promulgated under Federal water quality standards, under the Safe Drinking Water Act.

The District is in compliance with the Safe Drinking Water Act, also known as Public Health Code Regulation 19-13-B102, “Standards for Quality of Public Drinking Water,” and all subsequent amendments. The District has consistently pursued a policy to provide its customers a safe, potable water supply.

Maintenance/Replacement: The District’s maintenance of its water system is part of the annual water operational budget. Its replacement program is funded through appropriations under the District’s Capital Improvement Budget.

Revenue: The Public Utilities Regulatory Authority does not have jurisdiction to establish rates for the use of water. Setting of rates for the use of water is vested in the Water Bureau, and as required by Charter, rates must be uniform throughout the District.

Billing Cycles: The District has approximately 101,625 customers; as of December 2019 all customers are now billed monthly.

Cost Recovery: The District’s ability to recover costs associated with the operation of the water system is defined in its Charter and Ordinances. Specific ordinances relating to the above are found in Section W-I of the District’s Water Supply Ordinances.

Economic Development Rate: In March 2020, the District Board approved an Economic Development Rate that is meant to incentivize large consumption customers to utilize more water by providing a discounted water rate for users above 600,000 gallons per day (gpd) over a monthly billing cycle and a reduction of the CWPC based on actual volume discharged once consumption reaches 600,000 gpd.

CONSIDERATIONS FOR BONDHOLDERS

In making an investment decision with respect to the Bonds, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following factors.

The Bonds are special obligations of the District, and are not backed by the full faith and credit of the District or its taxing power. If the Pledged Revenues and the Trust Estate are insufficient to pay principal and interest on the Bonds, Bondholders will not have recourse to the other assets of the District or its ad valorem taxing power.

The Bonds are backed by revenues from the District’s Clean Water Project Charge, which will be an increasing part of customer water bills. Customers may resist expected increases in the surcharge. The

District's plan of finance for the Clean Water Project projects increases in the Clean Water Project Charge to reflect increases in debt service as the Clean Water Project proceeds and Additional Bonds are issued. The plan of finance also contemplates increases in the Clean Water Project Charge in advance of such increases, in order to build resources that can be used to limit increases in the surcharge in the peak years of debt service. Because the Clean Water Project Charge is established annually, there may be pressure on the District to delay or limit these increases, which will hinder completion of the Clean Water Project and may result in decreased debt service coverage ratios.

The District's Clean Water Project is currently projected to exceed the approved \$1.74 billion in expenditures appropriated to date. Current estimates of the cost of the Clean Water Project may increase or decrease as it is carried out, and the design specifications may change as it is carried out. However, currently completion of the Clean Water Project would require the District to seek additional expenditure authority through one or more additional referenda. While the first two referenda for the costs of the Clean Water Project were approved by electors by considerable margins, there is no assurance that this support will continue. A failure to authorize necessary expenditures for completion of the Clean Water Project could endanger the ability of the District to complete the Clean Water Project. Because the Clean Water Project consists of improvements to the District's existing system, the District does not believe that there is a significant risk that Pledged Revenues would be impaired if the Clean Water Project is not completed as currently envisioned, although certain portions of the Clean Water Project, such as the South Tunnel, need to be completed to achieve their intended purpose. A failure to complete the Clean Water Project could endanger the ability of the District to comply with the terms of the Governmental Orders with the U.S. EPA and the Connecticut DEEP.

If the District fails to comply with the terms of the Governmental Orders, it could be subject to penalties or restrictions on its operations that would impair its financial performance. If the District were unable to comply with the terms of the Federal and State orders referred to under "Clean Water Project," regulators could take action to force the District to comply. This could include monetary penalties, injunctive proceedings, and amendments to these orders. These amendments could impose a requirement to proceed more swiftly in the District's efforts, and this may increase the cost of compliance. In addition, regulators could impose additional and more burdensome conditions in the District's permits, require redesign of certain aspects of the Clean Water Project or seek to prevent new connections until compliance was achieved. These steps could increase the costs of compliance and therefore increase the District's rates, adversely affect economic development, and otherwise materially adversely affect the District and its customers.

A significant portion of the District's Clean Water Project is expected to be funded through Federal and state loans and grants. The District currently expects grants and low interest loans from the State Clean Water Fund will fund 45-50% of the costs of the Clean Water Project. If the Clean Water Fund has insufficient resources to fund the Clean Water Project at this level, the District may revise or delay the Clean Water Project, or be required to issue more debt than it expects or seek other financing, which will put the District's finances under greater pressure. The Clean Water Fund receives significant funding from the State and Federal government, and a failure of the State or Federal government to continue necessary support could lead to these consequences. The current or future Federal administrations could implement a change in approach from the prior administration.

Current coverage ratios are not expected to continue. Because this offering is the third offering of Bonds under the Indenture, projected coverage ratios contained in this Official Statement are a reflection of the commencement of this financing program, rather than a reflection of future coverage ratios. As Additional Bonds are issued and the Clean Water Project continues, the debt service coverage ratios can be expected to fall.

The Rate Stabilization Fund is intended to operate such that current revenues from the Clean Water Project Charge will be less than projected debt service or debt service coverage requirements in certain years of the financing plan. Up to 35% of debt service on Bonds in any year can be withdrawn by the District from the Rate Stabilization Fund and deposited in the Revenue Fund to count towards Revenues Available for Debt Service for purposes of the Coverage Covenant. This could allow the District to have Pledged Revenues from the Clean Water Project Charge that are less than 1.2 times debt service in any year. In fact, the financing plan intends for this to occur so that the increases in the Clean Water Project Charge can be moderated to a degree.

The District could seek protection from its creditors under the Federal Bankruptcy Act. Under current law, the District is prohibited from filing for bankruptcy without the consent of the Governor of the State of Connecticut. The operations of the District as a whole, or the ability of the Clean Water Project Charge to service principal and interest on the Bonds, could force it to seek such protection, as have other municipal bodies in other states.

The Clean Water Project Charge is collected from a large number of customers and is dependent on efficient billing and collection practices. Unlike ad valorem taxes that are levied by the District, which are levied on its Member Municipalities themselves (and not the residents of those municipalities), the Clean Water Project Charge is a charge on water bills, which requires such bills to be issued and collected, and if necessary collected through foreclosure of service charge liens and other collection actions. Public health and public policy considerations could prevent the MDC from pursuing its rights in every instance, such as turning off water service or foreclosing its liens on certain customers, such as hospitals.

The Clean Water Project Charge is based on water usage, and declines in water usage could adversely affect revenues from the surcharge. The Clean Water Project Charge is not limited in rate, and declines in water usage could be offset by larger than anticipated increases, just as increases in water usage could be offset by smaller than anticipated increases. Declines in water usage through decreased consumer demand, decreased population, decreased economic activity, alternative sourcing and other factors could impact Clean Water Project Charge revenues and result in increases in the Clean Water Project Charge that further decrease water usage and may be unsustainable.

The City of Hartford's financial condition may impact the District. The City of Hartford (the "City") is the most populous Member Municipality and has recently been responsible for approximately one quarter of the District's annual tax revenues. The City has paid, on time and in full, all of its tax obligations to the District to date. Public Act 17-1, enacted in 2017, provides the District with a number of tools to manage a default by the City in meeting its future tax obligations, but the District could be adversely affected by such a default. In December 2017, the City began operating under the supervision of the State's Municipal Accountability Review Board, and on May 3, 2018 adopted a five year recovery plan which includes full payment of estimated future ad valorem taxes to the District. The State has also agreed to pay to the City contract assistance payments each year equal to the general obligation debt service (which does not include the City's payment obligation to the District) of the City, other than with respect to certain stadium bonds.

General obligation debt of a Member Municipality could be made structurally senior to its tax obligations to the MDC. Public Act No.17-147, effective July 7, 2017, authorizes a city or town in Connecticut to refund its outstanding indebtedness through July 1, 2022 by issuing 30 year refunding bonds, and allows the issuer by resolution to grant a statutory lien on its revenues from tax levy and collection to secure the refunding bonds. Chapter 117 of the General Statutes also authorizes a Member Municipality to establish a property tax intercept procedure to secure its general obligation debt. Both provisions could have the effect of causing holders of such general obligation debt of the Member Municipality to have a prior claim on property tax revenues of the Member Municipality. No Member Municipality has yet granted such a lien or established such an intercept procedure. The ability of the District to collect on its tax warrants

against the Member Municipality or to execute on the goods and estate of its inhabitants is not affected. While the holders of such general obligation debt having a claim on the property tax revenues of a Member Municipality prior to that of the District is not likely to have any effect on the Pledged Revenues, it could have an effect on the overall financial well-being of the District.

The District has a significant receivable with the State representing disputed contaminated discharges. The State discharges groundwater from the Hartford landfill into the District's sewers. In 2016, the District determined this discharge to be contaminated, and began charging the State a sewer fee based on its fees for contaminated groundwater. The State has disputed these fees and has not paid them to date. The accumulated receivable to date is \$5.9 million. The District has reserved for this dispute, and such amount is reflected in its ad valorem levies on its Member Municipalities.

The District's ability to collect taxes from a Member Municipality would be impaired if the Member Municipality filed for bankruptcy under the Federal Bankruptcy Code. If a Member Municipality seeks protection from its creditors under the Federal Bankruptcy Code, the ability of the District to collect tax payments from the Member Municipality would be impaired. Under current State law, a municipality is prohibited from filing for bankruptcy without the express prior written consent of the Governor of the State. If such consent were granted, a bankruptcy filing likely would act as a stay of the ability of the District to enforce its right to payment, including its right to execute on the goods and estate of the inhabitants of the Member Municipality. Under such circumstances, the District might not be able to collect from the Member Municipality the full amount of taxes owed to it by the Member Municipality when due. In such event, and while a proceeding was pending, the District could take certain actions, including levying additional taxes on the other Member Municipalities to generate additional revenue. In the event that a Member Municipality is permitted to seek relief under the Federal Bankruptcy Code, it is difficult to predict whether the claim would prevail and what remedies, if any, a bankruptcy judge would permit the District to exercise. The bankruptcy case law is not fully developed in areas where a court has to consider and apply state law and to determine appropriate remedies in connection with the delivery of essential services. The same is true if the District were permitted to seek relief under the Federal Bankruptcy Act. While an inability of the District to collect the full amount of the taxes owed to it from a Member Municipality is not likely to have any effect on the Pledged Revenues, it could have an effect on the overall financial well-being of the District.

The District's infrastructure may be vulnerable to terrorism, natural disasters such as floods, and other threats that may require expensive repairs. The District's infrastructure of reservoirs, dams, pipes and treatment plants has a large footprint. Some aspects of its infrastructure are not redundant. As a result, the infrastructure could be vulnerable to failures caused by terrorism or natural disasters, such as floods. In particular, the District's Hartford wastewater treatment plant lies in a flood zone protected by levees. The Army Corps of Engineers has identified vulnerabilities in these levees, which are maintained by other governmental entities and not by the District. If the levees were to fail during a flood event, the Hartford wastewater treatment plant could be damaged and require extensive emergency repairs, the cost of which could substantially exceed available insurance proceeds. This could have an adverse financial impact on the District, its service area and its ratepayers.

Global Health Emergency Risk. The spread of COVID-19, the illness caused by a new coronavirus known as SARS-CoV-2, has affected global, national, state and local economic activity. In response to the spread of the disease, national, state and local governments, businesses and other institutions, and individuals appear to be altering behaviors in a manner that may negatively impact economies. In addition, there has been significant volatility in the U.S. and global stock and bond markets that has been attributed to concerns about the spread of COVID-19. In light of concerns regarding the spread of COVID-19, on January 31, 2020, the Secretary of Health and Human Services (HHS) declared a public health emergency, under section 319 of the Public Health Service Act (42 U.S.C. 247d). On March 13, 2020, the President of the United

States found and proclaimed that, beginning March 1, 2020, the COVID-19 outbreak in the United States constitutes a national emergency. On March 10, 2020, the Governor of Connecticut issued declarations of public health and civil preparedness emergencies, and subsequently issued a series of executive orders implementing various actions intended to address the spread of COVID-19. The District has applied for reimbursement of COVID-19 related expenses in the form of a grant from the Federal Emergency Management Agency (75% grant to be paid on eligible costs). The District believes a portion of its 25% local share could be reimbursed from Federal funding under the Coronavirus Aid, Relief, and Economic Security Act, subject to approval of the District's request by the State Office of Policy and Management. Through May 2020, the District's COVID-19-related costs were less than \$300,000.

The District cannot predict whether consequences arising from the spread of the disease will have a material impact on its financial condition. While any material direct impact on the District is currently unknown, the District is reviewing its options for addressing certain anticipated effects of the spread of COVID-19 that may impact its operations and finances.

LITIGATION

There is no litigation of any nature pending or to the best of its knowledge threatened against the MDC restraining or enjoining the issue, sale, execution or delivery of the 2020 Series AB Bonds, or in any way contesting or affecting the validity of the 2020 Series AB Bonds or any proceedings of the MDC taken with respect to the issuance or sale thereof, the application of the proceeds of the 2020 Series AB Bonds or the existence or powers of the MDC.

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

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

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

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

The lawsuit 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, that the MDC is entitled to governmental immunity and that 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 through 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 through 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.

CONTINUING DISCLOSURE AGREEMENT

The Authorizing Acts give the MDC the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (the "Rule"). The MDC will execute an agreement with respect to the 2020 Series AB Bonds (the "Continuing Disclosure Agreement"), substantially in the form attached as Appendix E hereto, which agreement shall constitute the MDC's written undertaking for the benefit of the beneficial owners of the 2020 Series AB Bonds. Under the Continuing Disclosure Agreement, the MDC agrees to provide or cause to be provided, in accordance with the requirements of the Rule, (1) annual financial information and operating data with respect to the 2020 Series AB Bonds, (2) timely notice, but not in excess of ten (10) days, of the occurrence of certain events with respect to the 2020 Series AB Bonds and (3) timely notice of a failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

The intent of such undertaking is to provide on a continuing basis the information described in the Rule. Accordingly, there is reserved the right to modify the disclosure thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of such information to be provided under such undertaking, the obligation pursuant to the Rule to provide such information also shall cease immediately.

The purpose of such undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual failure by the MDC to comply with its written undertaking. Furthermore, the Continuing Disclosure Agreement shall provide that any failure by the MDC to comply with any provisions of such undertaking shall not constitute an Event of Default with respect to the Bonds under the Indenture.

The District has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide annual financial information and event notices pursuant to the Rule. In the last five years, to the best of its knowledge, the District has not failed to comply with its obligations under its continuing disclosure agreements in all material respects.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance and sale of the 2020 Series AB Bonds are subject to the approval of Hinckley, Allen & Snyder LLP, Hartford, Connecticut, and Shipman & Goodwin LLP, Hartford, Connecticut, Co-Bond Counsel to the MDC. Each Co-Bond Counsel proposes to deliver its approving opinion with respect to the 2020 Series AB Bonds substantially in the forms set forth in Appendix A hereto. Certain legal matters will be passed upon for the District by Soeder & Associates, LLC, as Special Tax Counsel, who proposes to deliver its opinion with respect to the 2020 Series AB Bonds substantially in the form set forth in Appendix A hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire Patton Boggs (US) LLP, New York, New York.

TAX MATTERS

Federal Tax Status of 2020 Series A Bonds (Tax-Exempt Bonds)

Opinion of Co-Bond Counsel and Special Tax Counsel - Federal Tax Exemption

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to delivery of the 2020 Series A Bonds in order that interest on the 2020 Series A Bonds be, and continue to be, excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause interest on the 2020 Series A Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the 2020 Series A Bonds, irrespective of the date on which such noncompliance occurs. The Tax Regulatory Agreement, which will be executed and delivered by the District concurrently with the delivery of the 2020 Series A Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the 2020 Series A Bonds in order to ensure compliance with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the District also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law in order to ensure that interest on the 2020 Series A Bonds shall be excluded from the gross income for Federal income tax purposes under the Code. In rendering their respective opinions, Co-Bond Counsel and Special Tax Counsel to the District have each relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District, the State, the Underwriters, the Financial Advisors and others, in connection with the issuance of the 2020 Series A Bonds. In the opinion of Co-Bond Counsel and Special Tax Counsel, based on existing statutes and court decisions and assuming continuing compliance by the District with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the 2020 Series A Bonds is excluded from gross income for Federal income tax purposes and is not treated as a tax preference for purposes of computing the Federal alternative minimum tax. For other Federal tax information, see “Original Issue Discount,” “Original Issue Premium” and “Certain Additional Federal Tax Consequences” and “General” herein. Co-Bond Counsel and Special Tax Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Series A Bonds.

Original Issue Premium

The initial public offering prices of the 2020 Series A Bonds of certain maturities (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a 2020 Series A Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the 2020 Series A Bond for Federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

Certain Additional Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 2020 Series A Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 2020 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2020 Series A Bonds. Co-Bond Counsel and Special Tax Counsel have not opined on any tax consequence not specifically stated herein.

In addition to the matters addressed above, prospective purchasers of the 2020 Series A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, financial institutions, certain insurance companies, certain S corporations with excess net passive income, foreign corporations subject to the branch profits tax, recipients of Social Security and certain Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2020 Series A Bonds should consult their tax advisors as to the applicability and impacts of such consequences. Prospective purchasers of the 2020 Series A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the 2020 Series A Bonds, gain from the sale or other disposition of the 2020 Series A, the market value of the 2020 Series A Bonds, or the marketability of the 2020 Series A Bonds, or otherwise prevent the owners of the 2020 Series A Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the exclusion from gross income of interest on the 2020 Series A Bonds. Such proposals, whether or not enacted, also could adversely affect the market price for, or marketability of, the 2020 Series A Bonds. Prospective purchasers of the 2020 Series A Bonds should consult their own tax and financial advisors regarding such matters.

Federal Tax Status of the 2020 Series B Bonds (Taxable Bonds)

Federal Income Taxes

In the opinion of Co-Bond Counsel and Special Tax Counsel, under existing law, interest on the 2020 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

United States Tax Consequences

The following is a summary of certain United States Federal income tax consequences resulting from the beneficial ownership of the 2020 Series B Bonds by certain persons. This summary does not consider all possible Federal income tax consequences of the purchase, ownership, or disposition of the 2020 Series B Bonds, and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a 2020 Series B Bond at its issue price, which is the first price at which a substantial amount of the 2020 Series B Bonds is sold to the public, and who hold 2020 Series B Bonds as “capital assets” within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold 2020 Series B Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a bond and one or more other investments, or United States Holders (as defined below) that

have a “functional currency” other than the United States dollar. This summary is applicable only to a person (a “United States Holder”) who or that is the beneficial owner of 2020 Series B Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to Federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

United States Holders

Payments of Stated Interest. In general, for a United States Holder, interest on a 2020 Series B Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner’s method of accounting for tax purposes.

2020 Series B Bonds Purchased at Original Issue Premium. The initial public offering price of certain maturities of the 2020 Series B Bonds are greater than the principal amount payable on such 2020 Series B Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these 2020 Series B Bonds are sold over the principal amount payable at maturity constitutes original issue premium. The offering prices relating to the yields set forth on the inside front cover page of this Official Statement are expected to be the initial public offering prices at which a substantial amount of each maturity of the 2020 Series B Bonds were ultimately sold to the public. Under Section 171 of the Code, a holder of a 2020 Series B Bond may elect to treat such excess as “amortizable bond premium,” in which case the amount of interest required to be included in the taxpayer’s income each year with respect to interest on the 2020 Series B Bond will be reduced by the amount of amortizable bond premium allocable (based on the 2020 Series B Bond’s yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer’s adjusted basis in the 2020 Series B Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the Internal Revenue Service (“IRS”).

2020 Series B Bonds Purchased at a Market Discount. A 2020 Series B Bond will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the 2020 Series B Bond is less than the 2020 Series B Bond’s adjusted issue price, unless such difference is less than a specified de minimis amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the 2020 Series B Bond. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. That election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. If an election is made to include market discount in income currently, the tax basis of the 2020 Series B Bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elected to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the 2020 Series B Bond in an amount not exceeding the

accrued market discount on such 2020 Series B Bond until maturity or disposition of the 2020 Series B Bond.

Purchase, Sale, Exchange, and Retirement of 2020 Series B Bonds. A United States Holder's tax basis in a 2020 Series B Bond generally will equal its cost, increased by any market discount included in the United States Holder's income with respect to the 2020 Series B Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the 2020 Series B Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a 2020 Series B Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's tax adjusted basis in the 2020 Series B Bond. Except to the extent described above under "*2020 Series B Bonds Purchased at a Market Discount*," gain or loss recognized on the sale, exchange or retirement of a 2020 Series B Bond will be capital gain or loss and will be long-term capital gain or loss if the 2020 Series B Bond was held for more than one year. The material modification of the terms of any 2020 Series B Bond may result in a deemed reissuance thereof, in which event a United States Holder may recognize taxable gain or loss without any corresponding receipt of proceeds.

Backup Withholding. United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the 2020 Series B Bonds, if they fail to provide an accurate Form W-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States Federal income tax liability (or refund) provided the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

Medicare Tax Affecting United States Holders. For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) the United States Holder's "net investment income" for the taxable year and (2) the excess of the United States Holder's modified adjusted gross income for the taxable year over a certain threshold. A United States Holder's net investment income will generally include its interest income and its net gains from the disposition of the 2020 Series B Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A United States Holder that is an individual, estate, or trust, should consult its own tax advisor regarding the applicability of the Medicare tax.

Information Reporting

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the 2020 Series B Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the 2020 Series B Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the IRS that it has failed properly to report payments of, interest and dividends, a backup withholding tax (currently at a rate of 24%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the 2020 Series B Bonds.

Any payments of interest and original issue discount on the 2020 Series B Bonds to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a 2020 Series B Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States Federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The Federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences of the purchase, ownership, and disposition of the 2020 Series B Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in Federal or other tax laws.

State Tax Status of the 2020 Series AB Bonds

In the opinion of Co-Bond Counsel and Special Tax Counsel, under existing statutes, interest on the 2020 Series AB Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the 2020 Series AB Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of 2020 Series A OIP Bonds should consult with their tax advisors with respect to the determination for state and local income tax purposes of original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of 2020 Series A OIP Bonds. Owners of 2020 Series A Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2020 Series A Bonds and the disposition thereof.

Owners of 2020 Series B Bonds should consult with their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2020 Series B Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of 2020 Series B Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

General

The opinions of Co-Bond Counsel and Special Tax Counsel are rendered as of their date and Co-Bond Counsel and Special Tax Counsel assume no obligation to update or supplement their opinions to reflect

any facts or circumstances that may come to their attention or any changes in law or the interpretation thereof that may occur after the date of their opinions.

The discussion above does not purport to address all aspects of Federal, state or local taxation that may be relevant to a particular owner of a 2020 AB Series Bond. Prospective owners of the 2020 Series AB Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the Federal, state and local tax consequences of owning and disposing of the 2020 Series AB Bonds.

RATINGS

The 2020 Series AB Bonds have been rated “Aa2” by Moody’s Investors Service (“Moody’s”) and “AA-” by S&P Global Ratings (“S&P”). The ratings assigned by Moody’s and S&P express only the view of such rating agencies. The explanation and significance of the ratings can be obtained from Moody’s and S&P, respectively. Such ratings are not intended as a recommendation to buy or own the 2020 Series AB Bonds. There is no assurance that any ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of any of such ratings on the 2020 Series AB Bonds may have an adverse effect on the market price thereof.

UNDERWRITING

The Underwriters, for whom Goldman Sachs & Co. LLC is acting as Representative, have agreed, subject to certain conditions precedent, to purchase all of the 2020 Series AB Bonds from the MDC at an aggregate purchase price with respect to the 2020 Series A Bonds of \$70,218,455.23 (representing the aggregate principal amount of the 2020 Series A Bonds plus original issue premium of \$15,448,049.45 and less Underwriters’ discount of \$239,594.22) and at an aggregate purchase price with respect to the 2020 Series B Bonds of \$75,732,548.15 (representing the aggregate principal amount of the 2020 Series B Bonds less Underwriters’ discount of \$332,451.85). The 2020 Series AB Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers for the distribution of the 2020 Series AB Bonds at the initial public offering prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

Morgan Stanley & Co. LLC., an underwriter of the 2020 Series AB Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2020 Series AB Bonds.

Piper Sandler & Co. has entered into a distribution agreement (the “CS&Co. Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the 2020 Series AB Bonds, at the original issue prices. Pursuant to the CS&Co. Distribution Agreement, CS&Co. will purchase the 2020 Series AB Bonds from Piper Sandler & Co. at their original issue prices, less a negotiated portion of the selling commission applicable to any 2020 Series AB Bonds that CSC & Co. sells.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISORS

HilltopSecurities is acting as Municipal Advisor to the District in connection with the 2020 Series AB Bonds described in this Official Statement. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. In addition, the Municipal Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the Federal income tax status of the 2020 Series A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. The Municipal Advisor's fee for services rendered with respect to the sale of the 2020 Series AB Bonds is contingent upon the issuance and delivery of the 2020 Series AB Bonds, and receipt by the District of payment therefor. The District may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of the 2020 Series Bond proceeds. The participation of HilltopSecurities should not be seen as a recommendation to buy or sell the Bonds and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

Lamont Financial Services Corporation ("Lamont") is co-Municipal Advisor to the District in connection with the 2020 Series AB Bonds. Lamont has assisted the District in financial planning for the Clean Water Project from its inception, including for this issue. Lamont's fees are not contingent upon the closing of the transaction. Lamont has not undertaken to independently verify and does not assume any responsibility for the information, covenants, or representations contained herein.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

AMTEC Corporation of Avon, Connecticut and Michael Torsiello, C.P.A. (a Certified Public Accountant) (together the "Verification Agent"), will deliver to the District, on or before the settlement date of the 2020 Series B Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Securities to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the District and its representatives. Such verification will be relied upon by Co-Bond Counsel in rendering their opinions described herein.

FINANCIAL STATEMENTS OF THE MDC

The audited financial statements of the MDC contained in Appendix B have been included herein in reliance upon the report of Blum, Shapiro & Co., P.C., the MDC's Independent Auditors.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the MDC and its various operations are prepared by officers of the MDC and provided to the Board of Directors at its regular monthly meetings. The MDC will make available copies of its official statements relating to the issuance of its securities under the Indenture from time to time upon request through the Chief Financial Officer/Treasurer of the MDC.

Additional information concerning the MDC may be obtained upon request of Christopher P. Martin, Chief Financial Officer/Treasurer, 555 Main St. First Floor, Hartford, Connecticut 06103, (860) 513-3345.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the MDC and the purchasers or holders of any of the 2020 Series AB Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2020 Series AB Bonds by the MDC and may not be reproduced or used in whole or in part for any other purpose.

Dated: August 13, 2020

METROPOLITAN DISTRICT COMMISSION

By: /s/Christopher P. Martin
Christopher P. Martin
Chief Financial Officer / Treasurer

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PROPOSED FORMS OF CO-BOND COUNSEL AND SPECIAL TAX COUNSEL OPINIONS

[Proposed Form of Co-Bond Counsel Opinion]

August __, 2020

The Metropolitan District, Hartford County,
Connecticut
555 Main Street
Hartford, Connecticut 06103

Re: The Metropolitan District, Hartford County, Connecticut
\$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A
Dated August __, 2020 and The Metropolitan District, Hartford County \$76,065,000
Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable)
Dated August __, 2020

Ladies and Gentlemen:

In connection with our representation of the Metropolitan District, Hartford County, Connecticut (the "MDC") as bond counsel we have examined certified copies of the proceedings of the MDC and other proofs submitted to us relating to the issuance of \$55,010,000 aggregate principal amount of The Metropolitan District, Hartford County, Clean Water Project Revenue Bonds, 2020 Series A (the "2020 Series A Bonds") and the \$76,065,000 aggregate principal amount of The Metropolitan District, Hartford County, Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) (the "2020 Series B Bonds") and, collectively with the 2020 Series A Bonds, the "2020 Series Bonds").

The 2020 Series Bonds are authorized pursuant to Special Act 511 of the 1929 Session of the Connecticut General Assembly, as amended (the "Charter") and Chapter 103 of the Connecticut General Statutes, as amended (the "Municipal Act" and, together with the Charter, the "Authorizing Acts"), the Special Obligation Indenture of Trust, dated as of June 1, 2013 (the "Special Obligation Indenture"), as amended and supplemented by the Third Supplemental Indenture, dated as of August 1, 2020 (the "Third Supplemental Indenture"), and together with the Special Obligation Indenture, the "Indenture"), each by and between the MDC and U.S. Bank National Association, as trustee (the "Trustee"). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture.

The 2020 Series Bonds are dated, will mature on the dates, will bear interest at the rates, and are subject to redemption prior to maturity, all as set forth in the Indenture.

The 2020 Series Bonds are limited recourse special obligations of the MDC and do not constitute a general obligation of the MDC nor are they guaranteed by the MDC.

We note that the MDC is authorized to issue additional bonds, in addition to the 2020 Series Bonds ("Additional Bonds"), upon the terms and conditions set forth in the Authorizing Acts and the Special Obligation Indenture, and such Additional Bonds would, if and when issued and except as might be

provided by a supplemental indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Special Obligation Indenture with the 2020 Series Bonds, with bonds heretofore issued under the Special Obligation Indenture and with all other such Additional Bonds hereafter issued. The Special Obligation Indenture contains provisions which permit it to be amended or supplemented in accordance with its terms, which amendments or supplements may be applicable to the 2020 Series Bonds.

The rights of owners of the 2020 Series Bonds and the enforceability of the 2020 Series Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the 2020 Series A Bonds in order that interest on the 2020 Series A Bonds be and remain excluded from gross income for federal income tax purposes. The opinion set forth below is subject to the condition that the MDC complies with all such requirements. The MDC has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the 2020 Series A Bonds shall be excludable from gross income for federal income tax purposes under the Code. Failure to comply with certain of such requirements may cause interest on the 2020 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2020 Series A Bonds.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and on certain representations, certifications of fact, and statements of reasonable expectations made by the MDC, the State, the MDC's underwriters and financial advisors and others furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2020 Series Bonds and we express no opinion herein relating thereto.

Subject to the foregoing, we are of the opinion that:

1. The MDC exists as a body politic and corporate, performing an essential public function with good right and lawful authority to carry out its obligations with respect to the Project, and to provide funds therefor by the execution of the Indenture and the issuance and sale of the 2020 Series Bonds, and to perform its obligations under the Indenture, including collecting and enforcing the collection of Pledged Revenues as covenanted in the Indenture.

2. The Indenture has been duly executed by the MDC and is valid and binding upon the MDC and enforceable in accordance with its terms.

3. The 2020 Series Bonds are valid and legally binding special obligations of the MDC payable solely from revenues, funds and assets pledged therefor under the Indenture and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

4. The Indenture creates a valid pledge of and a valid lien upon the Trust Estate, including the monies and securities held or set aside or to be set aside and held in the Debt Service Fund, established thereunder, which the Indenture purports to create, subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

5. Under existing statutes and court decisions, interest on the 2020 Series A Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the 2020 Series A Bonds.

6. Under existing statutes interest on the 2020 Series B Bonds is included in gross income for federal income tax purposes.

7. Under existing statutes, interest on the 2020 Series Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the 2020 Series Bonds is included in gross income for purposes of the Connecticut corporation business tax. We express no opinion regarding any other State or local tax consequences caused by ownership or disposition of, or receipt of interest on, the 2020 Series Bonds.

Except as stated in paragraphs 5, 6 and 7, we express no opinion regarding any Federal or state tax consequences with respect to the 2020 Series Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2020 Series A Bonds or under state and local tax law.

Very truly yours,

[Proposed Form of Special Tax Counsel Opinion]

August __, 2020

The Metropolitan District, Hartford County,
Connecticut
555 Main Street
Hartford, Connecticut 06103

Re: The Metropolitan District, Hartford County, Connecticut
\$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A
Dated August __, 2020 and The Metropolitan District, Hartford County \$76,065,000
Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable)
Dated August __, 2020

Ladies and Gentlemen:

In connection with our representation of the Metropolitan District, Hartford County, Connecticut (the “MDC”) as tax counsel we have examined certified copies of the proceedings of the MDC and other proofs submitted to us relating to the issuance of \$55,010,000 aggregate principal amount of The Metropolitan District, Hartford County, Clean Water Project Revenue Bonds, 2020 Series A (the “2020 Series A Bonds”) and the \$76,065,000 aggregate principal amount of The Metropolitan District, Hartford County, Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) (the “2020 Series B Bonds”) and, collectively with the 2020 Series A Bonds, the “2020 Series Bonds”).

The 2020 Series Bonds are authorized pursuant to Special Act 511 of the 1929 Session of the Connecticut General Assembly, as amended (the “Charter”) and Chapter 103 of the Connecticut General Statutes, as amended (the “Municipal Act” and, together with the Charter, the “Authorizing Acts”), the Special Obligation Indenture of Trust, dated as of June 1, 2013 (the “Special Obligation Indenture”), as amended and supplemented by the Third Supplemental Indenture, dated as of August 1, 2020 (the “Third Supplemental Indenture”), and together with the Special Obligation Indenture, the “Indenture”), each by and between the MDC and U.S. Bank National Association, as trustee (the “Trustee”). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture.

The 2020 Series Bonds are dated, will mature on the dates, will bear interest at the rates, and are subject to redemption prior to maturity, all as set forth in the Indenture.

The 2020 Series Bonds are limited recourse special obligations of the MDC and do not constitute a general obligation of the MDC nor are they guaranteed by the MDC.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the 2020 Series A Bonds in order that interest on the 2020 Series A Bonds be and remain excluded from gross income for federal income tax purposes. The opinion set forth below is subject to the condition that the MDC complies with all such requirements. The MDC has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on

the 2020 Series A Bonds shall be excludable from gross income for federal income tax purposes under the Code. Failure to comply with certain of such requirements may cause interest on the 2020 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2020 Series A Bonds.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and on certain representations, certifications of fact, and statements of reasonable expectations made by the MDC, the State, the MDC's underwriters and financial advisors and others furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2020 Series Bonds and we express no opinion herein relating thereto.

Subject to the foregoing, we are of the opinion that:

1. Under existing statutes and court decisions, interest on the 2020 Series A Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the 2020 Series A Bonds.

2. Under existing statutes interest on the 2020 Series B Bonds is included in gross income for federal income tax purposes.

3. Under existing statutes, interest on the 2020 Series Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the 2020 Series Bonds is included in gross income for purposes of the Connecticut corporation business tax. We express no opinion regarding any other State or local tax consequences caused by ownership or disposition of, or receipt of interest on, the 2020 Series Bonds.

Except as stated above, we express no opinion regarding any Federal or state tax consequences with respect to the 2020 Series Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2020 Series A Bonds or under state and local tax law.

Very truly yours,

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**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.

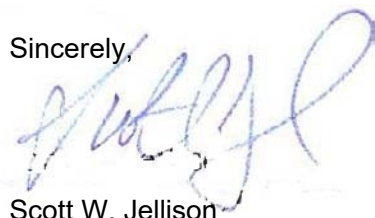
Special thanks to members of the Board of Finance and District Board for the guidance and support they provide year after year. The District's financial strength reflects their vigilance and stewardship.

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. Morrill

Executive Director/CEO

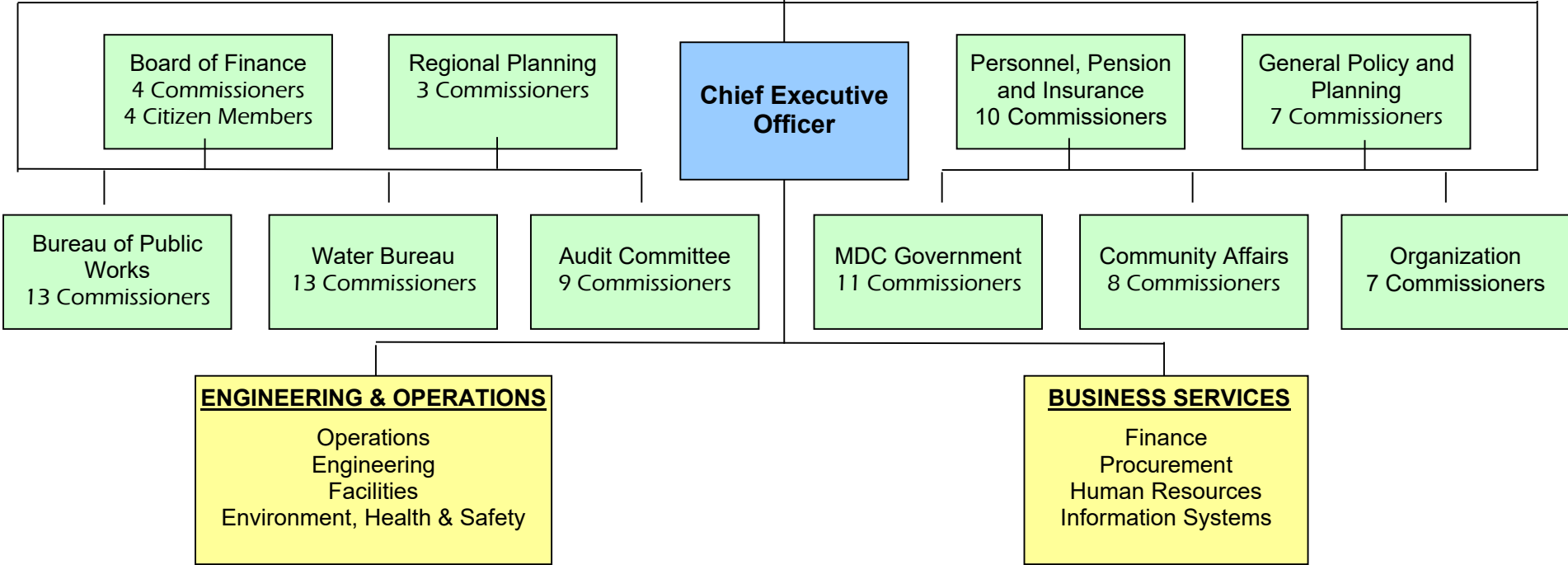
**The Metropolitan District
Hartford County
Organization Chart**

**State
Legislature**

**Governor
State of Connecticut**

**Legislative Bodies of
Member Towns**

**District Board
(26 Commissioners)**



**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**

	<u>Term 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.

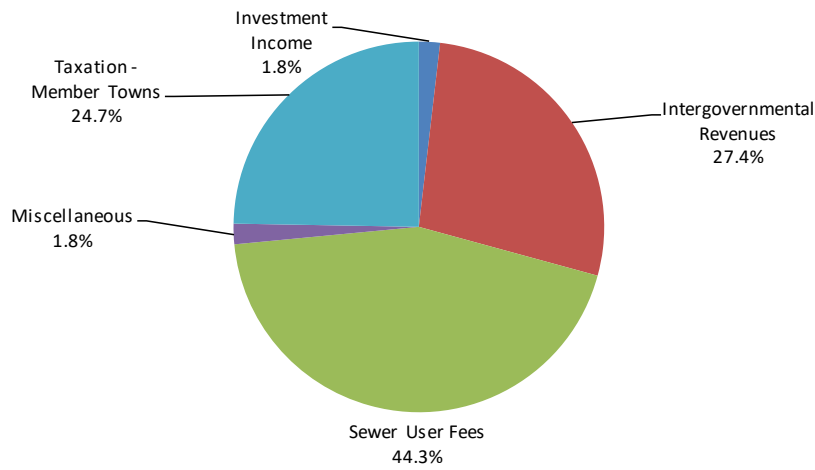
The Metropolitan District CHANGES IN NET POSITION For the Years Ended December 31, 2019 and 2018

	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	14,108,504	(14,108,504)	-	12,366,415	(12,366,415)	-
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

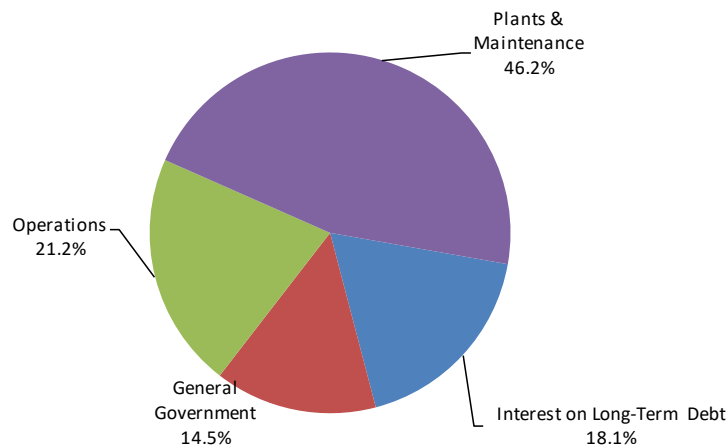
Net position of governmental activities increased by \$54,198,116 in 2019.

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:

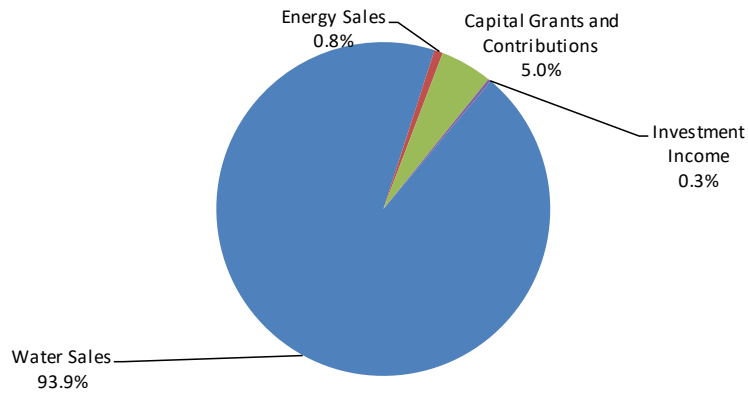


- During 2019, expenses increased from the prior year by \$75,934,644 of which \$38,479,756 is due to increased Plants and Maintenance expenses along with increased Operation Expenses of \$21,112,180 and increased General Government expenses of \$19,024,491.

Business-Type Activities

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

Major Revenue Factors Include:

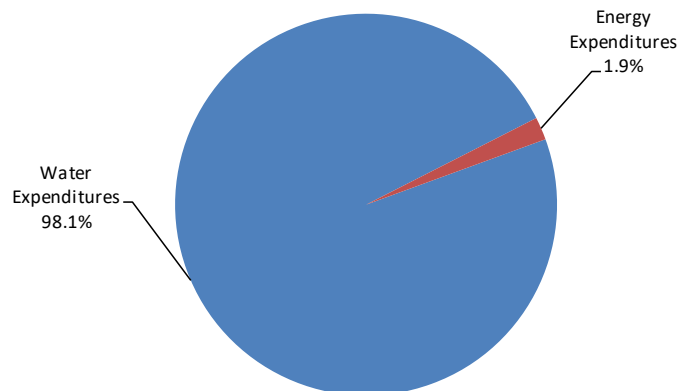


Water sales revenue increased by \$13,630,598 or 17.4% due to increases in water rates.

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
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>(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>(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>
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**

	Business-Type Activities - Enterprise Funds			Business- Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project		
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	270,730		270,730	
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	53,671,461	2,182,903	55,854,364	57,990
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
	<u> </u>
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	23,225,078
Total assets	<u>232,843,962</u>
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:

Assets	Years
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><u>\$ 19,166,302</u></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	<u>1,178,720</u>		<u>15,891</u>			<u>1,132,927</u>	<u>47,682</u>	<u>2,375,220</u>
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	951,673,069	143,049,463	239,914,189	(12,038,456)	842,769,887
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	709,184,077	167,729,260	136,567		876,776,770
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	179,271,526	10,133,484	56,725		189,348,285
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	248,355,006	2,128,930	110,282,871	12,038,456	152,239,521
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	378,712,534	77,145,016	314,637		455,542,913
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	125,266,919	8,638,300	161,276		133,743,943
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	121,572,956	35,370,502		156,943,458	
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	168,326,103	46,175,723		214,501,826	
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:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	\$ 321,971,912	\$ 120,371,039	\$ 263,903,089	\$ 91,412,775

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:

Purpose	Interest Rates	Amount
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	<u>27,267,765</u>	<u>596,044</u>
	<u>\$ 77,800,886</u>	<u>\$ 1,726,776</u>

	Business-Type Activities	
	Principal	Interest
2020	<u>\$ 1,928,821</u>	<u>\$ 15,627</u>

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>\$ 7,622,321</u>	<u>\$ 13,972,141</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>\$ 6,349,820</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**

G. Combining Statement of Net Position

	<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	23,225,078		23,225,078
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
NOTES TO FINANCIAL STATEMENTS**

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

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 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	<u>1,045,322</u>		<u>1,045,322</u>
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:

		Accrued Liability Beginning of Fiscal Year		Current Year Claims and Changes in Estimates		Claim Payments		Accrued Liability End of Fiscal Year
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**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
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			(1,879,586)	(1,879,586)
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**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
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**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Plants and maintenance:				
Water pollution control	\$ 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			\$ <u>1,811,776</u>	

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	14,937,573	12,827,380	4,343,792	5,964,669	13,007,616	4,958,024
Total pension liability - beginning	269,964,668	257,137,288	252,793,496	246,828,827	233,821,211	228,863,187
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	25,081,857	(18,216,168)	18,633,255	6,373,299	(3,986,437)	6,550,466
Plan fiduciary net position - beginning	201,704,484	219,920,652	201,287,397	194,914,098	198,900,535	192,350,069
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	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000	5,881,000	5,822,098	4,633,200	2,863,964
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	<u>(5,465,311)</u>	<u>(5,313,360)</u>	<u>(5,564,433)</u>
Net change in total OPEB liability	85,680,224	(25,018,533)	29,304,791
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			<u>(26,346,000)</u>
Net change in plan fiduciary net position	4,133,999	(74,844)	(26,685,603)
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	<u>\$ 5,106,997</u>	<u>\$ 539,309</u>	<u>\$ 76,917</u>	<u>\$ 165,899</u>	<u>\$ 450,327</u>	<u>\$ 38,089</u>

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

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
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**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
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	23,225,078		23,225,078
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	5,661,124	2,160,605	1,010,677	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></u>	<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

TABLE 7

**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)	152,596,610	
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.

TABLE 9

**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

TABLE 11

**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

TABLE 12

**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

step forward →

THE METROPOLITAN DISTRICT

FEDERAL SINGLE AUDIT REPORT
DECEMBER 31, 2019

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**THE METROPOLITAN DISTRICT
FEDERAL SINGLE AUDIT REPORT
DECEMBER 31, 2019
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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited The Metropolitan District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Metropolitan District's major federal program for the year ended December 31, 2019. The Metropolitan District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, The Metropolitan District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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. We issued our report thereon dated June 25, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
June 25, 2020

**THE METROPOLITAN DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Awarding Agency/ Pass-Through Grantor/ Pass-Through Identification Number	CFDA Number	Pass-Through Grantor's Number/ Project Number	Loan Proceeds	Grant Expenditures	Total Expenditures	Expenditures to Subrecipients
Environmental Protection Agency						
<i>Passed Through the State of Connecticut Department of Energy and Environmental Protection:</i>						
Capitalization Grants for Clean Water State Revolving Funds:						
CWF #652-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	\$ 991,348	\$ 137,487	\$ 1,128,835	\$ -
CWF #657-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	5,011,040	2,415,015	7,426,055	-
CWF #692-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	28,858,195	23,387,519	52,245,714	-
CWF #219-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	7,899,358	(1,513,117) *	6,386,241	-
CWF #697-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	1,652,460	413,115	2,065,575	-
CWF #221-CSL	66.458	21014-DEP43720-40001/21015-DEP43720-42318	1,477,729	(327,864) *	1,149,865	-
CWF #691-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	176,977	176,977	353,954	-
Total clean water fund state revolving funds			<u>46,067,107</u>	<u>24,689,132</u>	<u>70,756,239</u>	<u>-</u>
<i>Passed Through the State of Connecticut Department of Public Health:</i>						
Capitalization Grants for Drinking Water State Revolving Funds:						
DWSRF #2018-7061	66.468	12060-DPH48770-22467/21018-DPH48770-42319	219,719	-	219,719	-
DWSRF #2018-7062	66.468	12060-DPH48770-22467/21018-DPH48770-42319	363,294	-	363,294	-
DWSRF #2018-7074	66.468	12060-DPH48770-22467/21018-DPH48770-42319	<u>1,810,827</u>	-	<u>1,810,827</u>	-
Total drinking water fund state revolving funds			<u>2,393,840</u>	<u>-</u>	<u>2,393,840</u>	<u>-</u>
Total Federal Awards Expended					\$ 73,150,079	\$ -

* In the December 31, 2018 Schedule of Expenditures of Federal Awards, a total of \$1,840,981 was improperly classified as grant expenditures and corrected in the current year.

The accompanying notes are an integral part of this schedule

**THE METROPOLITAN DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Metropolitan District under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of The Metropolitan District, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of The Metropolitan District.

Basis of Accounting

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. INDIRECT COST RECOVERY

The Metropolitan District has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

3. CLEAN WATER AND DRINKING WATER LOAN BALANCES

The balances in clean water and drinking water loans are as follows:

	<u>Clean Water Loans</u>	<u>Drinking Water Loans</u>
Loans payable at December 31, 2018	\$ 510,928,231	\$ 53,100,633
Loan proceeds	46,067,106	2,393,840
Loan repayments	<u>29,776,039</u>	<u>3,504,887</u>
Loans Payable at December 31, 2019	<u>\$ 527,219,298</u>	<u>\$ 51,989,586</u>

**THE METROPOLITAN DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

4. CLEAN WATER RECONCILIATION OF PRIOR YEAR EXPENDITURES

The Metropolitan District overreported grant expenditures in the December 31, 2018 Schedule of Federal Awards. The amounts were misclassified as grant expenditures for these projects and were corrected in the current year to be included as part of the project loans.

	Expenditures Reported 12/31/2018	Correction	Expenditures During 2019	Expenditures Reported 12/31/2019
CWF #219				
Loan	\$ 14,314,449	\$ 1,513,117	\$ 6,386,241	\$ 7,899,358
Grant	1,513,117	(1,513,117)	-	(1,513,117)
CWF #221-CSL				
Loan	355,186	327,864	1,149,865	1,477,729
Grant	327,864	(327,864)	-	(327,864)

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, and have issued our report thereon dated June 25, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
June 24, 2020

**THE METROPOLITAN DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Major programs:

CFDA #	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? X yes _____ no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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**DEFINITIONS OF CERTAIN TERMS OF
THE SPECIAL OBLIGATION INDENTURE**

In addition to terms defined elsewhere in this Official Statement, the following definitions shall apply to the description of the Special Obligation Indenture in Appendix D hereto.

“Additional Bonds” means all Bonds, other than the Initial Bonds, issued under the Special Obligation Indenture pursuant to a Supplemental Indenture adopted by the MDC pursuant to Sections 2.4 and 9.8 of the Special Obligation Indenture and Refunding Bonds pursuant to Section 2.5 of the Special Obligation Indenture.

“Authorized Officer” means, in the case of the MDC, the Chair or Vice-Chair of the Board of Commissioners, the Chief Executive Officer or any other person duly authorized by the District Charter or resolution of the MDC to perform the act or sign the document in question.

“Balloon Indebtedness” means (i) Bonds, twenty-five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve-month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period; or (ii) any portion of an issue of Bonds which, if treated as a separate issue of Bonds, would meet the test set forth in clause (i) of this definition and which Bonds are designated as Balloon Indebtedness in an Officer’s Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

“Board of Commissioners” means the board of commissioners of the MDC.

“Bond”, “Bonds” or “Special Obligation Bonds” means the Initial Bonds, together with any Additional Bonds.

“Bond Depository” means a place or institution that holds securities certificates for safekeeping and maintains a recordkeeping system such that all or a portion of such Bonds held can be sold and transferred without the physical movement of their responding certificates.

“Bond Facility” or “Credit Facility” means an insurance policy, surety bond or agreement, standby purchase agreement, line of credit, letter of credit or other credit enhancement, or liquidity facility entered into for the purpose of assuring the timely payment of the Principal and Redemption Price, if any, of and interest on the Bonds.

“Bond Index” means (i) for tax-exempt Bonds, the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index determined to be the Bond Index by the MDC if such Revenue Bond Index is not so published; or (ii) for taxable Bonds, the interest rate or interest index as may be certified to the MDC and the Trustee as appropriate to the situation by a firm of nationally recognized investment bankers or a financial advisory firm experienced in such field.

“Bondholders” or “Holder of Bonds” or “Holder” or “Owner”, when used with reference to Bonds, or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond.

“Calendar Year” means a twelve-month period commencing January 1 and ending December 31 of any year.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Cost”, as applied to the Mandate and the Project, includes, but is not limited to: the cost of planning, designing, constructing, building, alteration, enlargement, reconstruction, renovation, improvement, equipping and remodeling; the cost of all labor, materials, building systems, machinery and equipment; the cost of all lands,

structures, real or personal property, rights, easements and franchises acquired; the cost of all utility extensions, access roads, site development, financing charges, premiums for insurance, interest prior to and during construction and for six months thereafter; the cost of working capital related thereto; the cost of plans and specifications, surveys and estimates of cost and of revenues; the cost of accountants, audits, engineering, feasibility studies, legal and other professional consulting or technical services; the cost of reserves for payment of future debt service related to the financing transaction proceedings and for future repairs, renewals, replacements, additions and improvements; the cost of all other expenses necessary or incident to determining the feasibility or practicability of such construction; and administrative and operating expenses and such other expenses as may be necessary or incident to the financing authorized.

“Costs of Issuance” means all costs related to the proceedings under which Bonds are issued under the Special Obligation Indenture, including but not limited to administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility or a Swap Facility, including without limitation a Swap Provider, including a Term-Out Payment on a Swap, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers’ fees or charges incurred by the MDC to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with Section 9.10 of the Special Obligation Indenture.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the MDC (who may be the General Counsel of or other counsel to the MDC); provided, however, that for the purposes of Article II and Article IX of the Special Obligation Indenture such term shall mean an opinion signed by Finn Dixon & Herling LLP and Hinckley, Allen & Snyder, LLP or another attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds.

“Debt Service” means for any period, and with respect to the Bonds, subject to the Special Obligation Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum, without duplication, of (A) the Principal Installments, Sinking Fund Installments and Interest Requirement accruing and coming due during such period, (B) Swap Payments, (C) Term-Out Payments, and (D) Reimbursement Obligations.

“Debt Service Fund” means the Principal Installment Account and Interest Account established pursuant to Section **Error! Reference source not found.** of the Special Obligation Indenture and governed by Section **Error! Reference source not found.** of the Special Obligation Indenture.

“Debt Service Requirement” means, for any period, the sum of the Principal Installment and Interest Requirement; provided that for this purpose only: (i) interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate; (ii) if the MDC shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the MDC under such Swap; (iii) Balloon Indebtedness shall be deemed to be indebtedness which, at the later of the date of its original incurrence or the date of calculation, is amortized, on a level debt service basis, over twenty five (25) years, with level annual debt service, at a rate of interest equal to the Bond Index, as determined by an Officer’s Certificate; (iv) Discount Indebtedness shall, at the election of the MDC, be deemed to be the accreted value of such Discount Indebtedness computed on the basis of a constant yield to maturity; and (v) in the case of a Principal Installment which is a Refundable Principal Installment, only the portion of such Principal Installment shall be included which is determined as if each such Refundable Principal Installment has been payable over a period extending from the due date of such Refundable Principal Installment through the last date on which such Series of Bonds could have been stated to mature under the Act as in effect on the date of issuance of such Series, in installments which would have required equal annual payments of Principal Installments and interest over such period, with such interest calculated at the actual interest cost payable on the Bonds of such Series (using the actuarial method of calculation).

“Discount Indebtedness” means Bonds sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

“Fiscal Year” means such twelve-month period adopted by the MDC as its fiscal year, currently a Calendar Year.

“GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

“Government Orders” means a consent decree of the United States District Court of the District of Connecticut, by and between the District, the United States Department of Justice, the U.S. Attorney’s Office, the United States Environmental Protection Agency and the State of Connecticut Attorney General (the “U.S. Consent Decree”), and a consent order and a general permit for nitrogen discharges, and existing municipal national pollutant discharge elimination system permits of the State of Connecticut Department of Energy and Environmental Protection, formerly the State of Connecticut Department of Environmental Protection (“CDEP”) entered into by and between the District and the Commissioner of the CDEP (the “Connecticut Consent Order”).

“Initial Bonds” means the 2013 Series A Bonds issued under the Special Obligation Indenture.

“Interest Requirement” means, as of the date of computation with respect to any period, an amount equivalent to the aggregate maximum amount coming due during such period on any Interest Payment Date, of (1) interest which may be payable on Outstanding Bonds (including interest payable at a higher rate during any period held by the provider of a Bond Facility), less any Swap Receipt and (2) Swap Payments.

“Mandate” means measures necessary to comply with the Government Orders, as in effect from time to time.

“MDC” means the Metropolitan District Commission, Hartford County, Connecticut, a body politic and corporate created under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended, or any body, agency, or instrumentality which shall hereafter succeed to the powers, duties and functions of the MDC hereunder.

“Municipal Act” means Chapter 103 of the Connecticut General Statutes, as amended from time to time.

“Notes” means any obligations of the MDC, other than Bonds, Reimbursement Obligations or Swaps, issued for the purposes of the Authorizing Acts to provide funds for deposit in the Bond Proceeds Fund and issued in anticipation of the issuance of Bonds.

“Officer’s Certificate” means a certificate signed by an Authorized Officer of the MDC.

“Outstanding Bond” means, as of any date, a Bond or portion of any Bond of such Series theretofore or thereupon being authenticated and delivered under the Special Obligation Indenture, except any:

- (1) Bond cancelled by the Trustee and Paying Agent or the MDC at or prior to such date;
- (2) Bond for the payment or redemption of which cash, equal to the principal amount or Redemption Price, shall be held in trust under the Special Obligation Indenture for such purpose (whether at or prior to the maturity or Redemption Date), provided that if such Bond is to be redeemed, notice of such redemption shall have been given as provided in Article IV of the Special Obligation Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (3) Bond referred to in Section 11.5 of the Special Obligation Indenture;
- (4) Bond issued in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article IV, Section 4.6 and Section 11.6 of the Special Obligation Indenture; and

(5) Bond deemed to have been paid as provided in Section 14.1 of the Special Obligation Indenture.

“Paying Agent” for the Bonds of any Series means the bank or trust company located within or without the State and its successor or assigns, appointed by the MDC pursuant to the provisions of the Special Obligation Indenture and any successor or assign so appointed and approved.

“Pledged Revenues” means all revenues to be received by the MDC from the Special Sewer Surcharge together with (1) such other legally available revenues as the Board of Directors may determine to pledge under the Special Obligation Indenture by or pursuant to a Supplemental Indenture and (2) any interest earned or gains realized by the investment of moneys held by the Trustee in the Funds and Accounts created under Section 6.2 of the Special Obligation Indenture, which are treated under the Special Obligation Indenture as Pledged Revenues and which constitute a part of the Trust Estate.

“Principal” means the principal amount of the Bonds of a Series as due on a certain future date.

“Principal Installment” for any period, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding:

(1) the principal amount of Bonds of said Series which mature in such period, reduced by the aggregate principal amount of such Bonds which would before such period be retired by reason of the payment when due and application in accordance with the Special Obligation Indenture or Sinking Fund Installments payable before such period for the retirement of such Bonds, plus

(2) the unsatisfied balance (determined as provided in Section 6.6 of the Special Obligation Indenture) of the Sinking Fund Installments, if any, due during such period for the Bonds of such Series.

“Project” means the MDC’s obligations under the Government Orders, including, but not limited to, the obligation to provide for (i) the rehabilitation and reconstruction of portions of the District’s sanitary sewer systems, (ii) the renovation of the combined sewer system, (iii) improvements to water pollution control facilities, (iv) development of a nitrogen removal program, (v) the separation of sewerage and storm water drainage collection systems, and (vi) the construction of additional storage, conveyance and treatment facilities.

“Rate Stabilization Fund” means the fund established pursuant to Section of the Special Obligation Indenture and governed by Section 6.9 of the Special Obligation Indenture.

“Record Date” with respect to any Series of Bonds shall have the meaning given such term in the Supplemental Indenture setting forth the terms of such Series of Bonds.

“Redemption Price” means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Special Obligation Indenture.

“Refundable Principal Installment” means any Principal Installment for any Series of Bonds which the MDC intends to pay with moneys which are not Pledged Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only through the date of the annual budget of the MDC adopted during the Fiscal Year immediately preceding the Fiscal Year in which such Principal Installment comes due unless the MDC has delivered to the Trustee a certificate of an Authorized Representative that it has made provision for the payment of such Principal Installment from a source other than Pledged Revenues. Such provisions may be established by a firm commitment, subject to customary conditions, from one or more commercial banks or investment banking firms to purchase Bonds sufficient to refund such Principal Installment.

“Refunding Bonds” means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Sections **Error! Reference source not found.** and **Error! Reference source not found.** of the Special Obligation Indenture.

“Reimbursement Obligation” means any obligation of the MDC to make payments to a provider of a Bond Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bonds) an advance or other payment made by such provider for the purpose of paying,

(1) the Principal, Sinking Fund Installment, if any, Redemption Price of, or Interest Requirement on, any Bonds, or

(2) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of an applicable Supplemental Indenture, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (1) any payments of any fees, expenses, or other similar obligations to any such provider, or (2) any payments pursuant to term-loan or other Principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Reimbursement Obligations may be evidenced by Bonds designated as “Bank Bonds,” which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

“Revenues Available for Debt Service” shall mean, with respect to any period, Pledged Revenues deposited in the Revenue Fund in such period plus amounts transferred from the Rate Stabilization Fund to the Revenue Fund during such period, provided, however, for purposes of calculating Revenues Available for Debt Service, the amounts transferred from the Rate Stabilization Fund included for this purpose shall not exceed 35% of Debt Service Requirements for such period.

“Revenue Fund” means such fund of the MDC established by Section **Error! Reference source not found.** of the Special Obligation Indenture and governed by Sections **Error! Reference source not found.** and **Error! Reference source not found.** of the Special Obligation Indenture.

“Series of Bonds” or **“Bonds of a Series”** or words of similar meaning, means the designated series of Bonds authorized by the Special Obligation Indenture with respect to Initial Bonds or by the Special Obligation Indenture and a Supplemental Indenture with respect to any Additional Bonds.

“Sinking Fund Installment” means, for any period as of any date of calculation and with respect to any Outstanding Series of Bonds, the amount of money required by the Special Obligation Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the MDC by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

“Special Sewer Surcharge” means that by ordinance dated October 1, 2007 adopted as Section S12x of the MDC’s Ordinances Relating to Sewers, which provides for a Special Sewer Service Charge for customers of the MDC who utilize the MDC’s sewer system and are furnished water directly by the MDC.

“Subordinated Swap” or **“Subordinated Swap Payments”** means either a financial arrangement that meets the definition of Swap or a net amount to be paid by the MDC under such financial arrangement that meets the definition of Swap Payment but does not qualify as a Swap or Swap Payment, respectively, and is expressly payable (including any termination payment thereunder) only from a subordinated account or is otherwise subordinated pursuant to the Special Obligation Indenture.

“Supplemental Indenture” means any supplemental indenture entered into by the Trustee and the MDC pursuant to and in compliance with the provisions of Article X of the Special Obligation Indenture providing for the issuance of Initial Bonds, Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X of the Special Obligation Indenture amending or supplementing the provisions of the Special Obligation Indenture as originally executed or as theretofore amended or supplemented.

“Swap” means any financial arrangement:

(1) that is entered into by the MDC with an entity that is a Swap Provider at the time the arrangement is entered into;

(2) which:

(a) provides that the MDC shall pay to such entity an amount based on the interest accruing at a fixed rate on the Notional Amount equal to all or part of the outstanding Principal amount of a Series of Bonds issued under the Special Obligation Indenture, and that such entity shall pay to the MDC an amount based on the interest accruing on the Notional Amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in subsection (2)(b) of this definition, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; or

(b) is included as part of or covered by the financial transaction described in subsection (2)(a) of this definition or is separately executed and which is a cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated) or any combination thereof or any option with respect thereto executed by the MDC for the purpose of moderating interest rate fluctuations or otherwise pursuant to the Act; or

(c) is another similar transaction which has the effect of reversing or unwinding in whole or in part any transaction previously entered into and described in subsections 2(a) and (b) of this definition if the net effect of such transactions is to moderate interest rate fluctuations with respect to interest paid on any Bonds; and

(3) which has been designated in writing to the Trustee by an Authorized Officer of the MDC as a Swap with respect to a Series of Bonds or Notes.

“Swap” shall also include any option on a Swap and any such financial arrangement described in subsections (2) and (3) of this definition entered into by the MDC with a Swap Provider, as a replacement of a Swap that has been terminated and which has been so designated in writing to the Trustee by an Authorized Officer of the MDC with respect to a Series of Bonds or Notes.

“Swap Facility” means an insurance policy, surety bond, letter of credit or other credit enhancement with respect to a Swap or any similar facility entered into for the same or similar purposes and may include Investment Obligations properly pledged to the MDC pursuant to the Swap Facility or by the Swap Provider, in each case sufficient to maintain any existing rating of the MDC’s Bonds. Payments by the MDC under a Swap Facility related to a Swap shall be deemed Swap Payments and shall not be deemed Reimbursement Obligations and payments to the MDC under a Swap Facility related to a Swap shall be deemed Swap Receipts. Payment by the MDC under a Swap Facility applicable to any fees, expenses or similar other charges or obligations thereunder shall be a Cost of Issuance or payable from funds of the MDC, as applicable.

“Swap Payment” means the net amount required to be paid by the MDC under a Swap (that is not a Subordinated Swap Payment) that is applicable to the interest rate exchange effected thereunder, and Term-Out Payments under the Swap but not any fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or payable from funds of the MDC, as applicable).

“Swap Provider” means a financial institution whose long-term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long-term debt obligations are (1) rated either of the three highest ratings (without regard to the addition of a number or a plus (+) or a minus (-) to any rating) by S&P and if Fitch is then rating such financial institution, then Fitch; or (2) secured by a pledge of Investment Obligations in amounts sufficient to achieve the ratings described in subsection (1) of this definition.

“**Swap Receipt**” means the net amount required to be paid to the MDC under a Swap, but shall not include any Termination Receipt.

“**Termination Receipt**” means with respect to a Swap an amount required to be paid to the MDC by the Swap Provider or related Swap Facility as a result of the termination of the Swap.

“**Term-Out Payment**” means one or more payments payable under a Swap after Swap payments or Swap Receipts are no longer required under the Swap.

“**Trust Estate**” means all of the funds, securities, property, rights, privileges and interest conveyed, pledged and assigned as provided in the Granting Clause of the Special Obligation Indenture.

“**Trustee**” means **U.S. Bank National Association**, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as trustee, appointed pursuant to Section 8.10 of the Special Obligation Indenture.

“**Variable Interest Base Rate**” means with respect to any Variable Rate Bonds, Notes or Swap Payments, the average interest rate borne by such series of Variable Interest Rate Bonds, Notes or Swap Payments for the twelve full calendar months (or such lesser period as such Series of Variable Rate Bonds, Notes or Swap Payments shall be Outstanding) preceding the date of calculation.

“**Variable Interest Rate**” means a variable interest rate to be borne by any Bond or Note within a Series of Bonds or Notes or by any Swap (whether a Swap Payment or Swap Receipt). The method of computing such variable interest rate shall be specified in a Supplemental Indenture authorizing such Series of Bonds or Notes or the Swap relating thereto. Such Supplemental Indenture or Swap shall also specify either (1) the particular period or periods of time for which such variable interest rate shall remain in effect, or (2) the time or times upon which any change in such variable interest rate shall become effective.

“**Variable Interest Rate Bonds**” or “**Variable Interest Rate Notes**” means Bonds or Notes which bear a Variable Interest Rate.

“**Variable Interest Rate Calculation Rate**” means with respect to each Calendar Year:

(1) with respect to Variable Interest Rate Bonds or Notes, with respect to which the MDC has not designated a Swap or a Swap Facility, and/or is for a period or periods of time ending prior to the next immediate Interest Payment Date, the interest rate thereon in effect (pursuant to the Variable Interest Rate Bonds or Notes applicable thereto) until the next date of change (being the date of calculation referred to in the definition of Variable Interest Base Rate) and thereafter for the balance of such Calendar Year the Variable Interest Base Rate plus an adjustment factor (herein “Adjustment Factor”) of 200 basis points (subject to the proviso below); or

(2) with respect to Variable Interest Rate Bonds or Notes with respect to which the MDC has designated a Swap or Swap Facility, the net interest rate on such Variable Interest Rate Bonds or Notes after taking into account all Swaps designated by the MDC with respect to such Variable Interest Rate Bonds or Notes, if less than the rate calculated in subsection (1) of this definition.

provided, however, that in the event that an Authorized Officer of the MDC determines either as the consequence of a Swap or to meet the further assurance provisions of Section **Error! Reference source not found.** that an Adjustment Factor greater than provided for under subsection (1) of this definition is required, then such additional Adjustment Factor for interest, as an Authorized Officer of the MDC shall determine is so required and is consistent and in compliance with Section **Error! Reference source not found.** of the Special Obligation Indenture shall be utilized in subsection (1) of this definition.

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**SUMMARY OF CERTAIN PROVISIONS OF
THE SPECIAL OBLIGATION INDENTURE**

This section is a brief summary of the Special Obligation Indenture. The summary does not purport to be complete. Reference is made to the Special Obligation Indenture for a full and complete statement of the provisions thereof. See the defined terms set forth in Appendix C hereto and to the terms otherwise defined in the Official Statement.

Authority for the Special Obligation Indenture. [Section 2.1]. The Special Obligation Indenture is made and entered into by virtue of and pursuant to the provisions of the Authorizing Acts.

Authorization for Issuance of Bonds and Obligations of the MDC. [Section 2.2]. In order to provide a portion of the funds for the Mandate and the Project, Special Obligation Bonds of the MDC are authorized to be issued without limitation as to amount except as therein provided or as may be limited by law and such Bonds shall be issued subject to the terms, conditions and limitations established in the Special Obligation Indenture.

The Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture, shall be special obligations of the MDC, the Principal and Redemption Price (if any) of, interest on, and other amounts due in respect of which, shall be payable solely from the Trust Estate, and shall not be payable from nor charged upon any funds other than the Trust Estate pledged therefor as provided under the Special Obligation Indenture pursuant to the Act. The Bonds shall be entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by the Special Obligation Indenture and, with respect to any Additional Bonds, the Supplemental Indenture authorizing the issuance thereof, to secure the full and final payment of the Principal, or Redemption Price, if applicable, thereof and the interest thereon.

The Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture shall not constitute a general obligation of the MDC or a pledge of the faith and credit of the State, the MDC or of any other political subdivision of the State but shall be payable solely from the resources of the MDC described in the Special Obligation Indenture as the Trust Estate; the Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture constitute a special obligation of the MDC payable solely from, and are secured solely by a pledge of, the Trust Estate, including Pledged Revenues.

All Bonds shall contain on the face thereof a statement to the effect that:

NEITHER THE STATE OF CONNECTICUT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE MDC, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE MDC IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CONNECTICUT OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE MDC, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Pledge Effected by Indenture. [Section 6.1]. The Trust Estate is pledged to secure the payment of the Principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof) in accordance with their terms and the provisions of the Special Obligation Indenture permitting the application or release thereof for or to the purposes and on the terms and conditions therein set forth.

Establishment Funds and Accounts Therein. [Section 6.2]. The MDC establishes and creates the following funds and accounts to be held by the Trustee: the Bond Proceeds Fund (consisting of the Costs of Issuance Series Accounts and the Series Accounts); the Revenue Fund; the Debt Service Fund (consisting of the Interest Account and the Principal Installment Account); the Redemption Fund; the Rebate Fund; and the Rate Stabilization Fund. The MDC has reserved the right to establish additional funds, accounts and subaccounts.

Costs of Issuance Account. [Section 6.3]. A separate sub-account within the Costs of Issuance Account designated “Special Obligation Bonds Costs of Issuance Sub-account” may be established for the Bonds of each Series Outstanding. There shall be deposited in the applicable sub-account of the Costs of Issuance Account from time to time the amount of moneys necessary to pay the Costs of Issuance of each Series of Bonds. Such proceeds and moneys shall be used to pay only the Costs of Issuance of the Series of Bonds for which such proceeds and moneys were deposited. Upon payment of all Costs of Issuance of a Series of Bonds for which a separate sub-account has been established in the Costs of Issuance Account, an Authorized Officer of the MDC shall direct the Trustee to transfer any moneys remaining in said sub-account to the same Series Sub-account of the Bond Proceeds Fund or to other Costs of Issuance accounts or to the MDC on account of payment of Costs of Issuance.

Bond Proceeds Accounts. [Section 6.4]. Within the Bond Proceeds Fund a separate sub-account designated the “Special Obligation Indenture Special Obligation Bond Proceeds Sub-account” may be established for the Bonds of each Series Outstanding. There shall be deposited into the applicable Series Sub-account of the Bond Proceeds Fund only the amount of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Supplemental Indenture authorizing such Series of Bonds. Moneys in the Bond Proceeds Fund shall be expended only for the costs of the Mandate and the Project, and for Costs of Issuance subject to the provisions and restrictions of Section 6.3 and Section 6.4 of the Special Obligation Indenture.

The MDC is further authorized and directed to order each disbursement from the Bond Proceeds Fund upon a certification filed with Trustee, signed by an Authorized Officer the MDC, but not more frequently than monthly. Such certification shall be in substantially the form set forth in Exhibit A to the Special Obligation Indenture, and shall (i) state the requisition number, (ii) specify the nature of each item or category of cost and certify the same to be correct and proper under this Section **Error! Reference source not found.** and that such item or category of cost has been properly paid or incurred as a cost of the Mandate and the Project and, pursuant to Section **Error! Reference source not found.** of the Special Obligation Indenture, is consistent with the covenant of the MDC respecting tax exempt obligations in any tax regulatory agreement with respect thereto, (iii) certify that none of the items or categories for which the certification is made has formed the basis for any disbursement theretofore made from the Bond Proceeds sub-account, (iv) certify that the payee and amount stated with respect to each item in the certification are correct and that such item is due and owing, (v) specify the name and address of the person to whom payment shall be made by the Trustee, which may be to the MDC itself for purposes of making such payment or reimbursing itself for any payments theretofore made, and (vi) include any other requirements set forth in the Supplemental Indenture authorizing the applicable Series of Bonds.

Flow of Pledged Revenues; Revenue Fund. [Section 6.5]. The MDC shall cause all moneys received as Swap Receipts to be deposited promptly in the Interest Account and unless otherwise specified in any Supplemental Indenture, received as Termination Receipts to be deposited promptly in the Redemption Fund if any Bonds shall be outstanding. If no Bonds shall at the time be outstanding, any Termination Receipts shall be paid to the MDC.

The Trustee shall deposit in the Revenue Fund all Pledged Revenues received from the MDC.

Beginning with the first month after the commencement of the operation of the Project, on the fifth day of each month (or, if not a Business Day, on the next succeeding Business Day) the Trustee shall withdraw from the Revenue Fund the amounts on deposit in the Revenue Fund to deposit or credit the following accounts and funds:

FIRST, unless otherwise provided in any Supplemental Indenture with respect to Bonds,

-- Into the Interest Account, the amount accrued for the prior month as interest on the Bonds or Swaps for each Series of Bonds or Swap Payments on Swaps accrued for the prior month less any Swap Receipts accrued for the prior month, provided that the deposit immediately preceding any Interest

Payment Date shall be the balance necessary to make such payment, as well as all amounts accrued for the prior month as Term-Out Payments in respect of a Swap.

-- Into the Principal Installment Account, the amount accrued for the prior month as principal due on each Series of Bonds, whether at maturity or pursuant to mandatory sinking fund redemption on the next scheduled Principal Installment Date, provided that the deposit immediately preceding any Principal Installment Date shall be the balance necessary to make such payment.

SECOND – pro rata, to each debt service reserve fund created pursuant to the terms of any Supplemental Indenture for the benefit of any Series of Bonds to cause any debt service reserve fund requirement established under such Supplemental Indenture to be satisfied.

THIRD – to any other trustee or paying agent for indebtedness of the MDC identified in writing to the Trustee by the MDC, in amounts set forth in a Certificate of an Authorized Officer of the MDC, which may be stated by the MDC in advance as being irrevocable without the consent of such trustee or paying agent.

FOURTH – into the Redemption Fund, the amount, if any, set forth in a Certificate of an Authorized Officer of the MDC.

FIFTH - into the Rate Stabilization Fund, the amount, if any, set forth in a Certificate of an Authorized Officer of the MDC.

PROVIDED THAT, the fact that the MDC shall not have received sufficient Pledged Revenues with which to make the deposits or credits each month as prescribed above to meet any of the requirements thereof shall not, by the fact itself, be construed as an “Event of Default” under the Special Obligation Indenture.

For the purpose of calculating the interest accruing for any month with respect to any Series of Bonds bearing interest at a fixed rate, interest shall be treated as accruing from and including the month in which the next preceding Interest Payment Date on such Bonds occurs to and excluding the month in which the next Interest Payment Date on such Bonds occurs, ratably over the number of months from one Interest Payment Date to the next Interest Payment Date. For the purpose of calculating the interest accruing for any month with respect to any Series of Variable Interest Rate Bonds, interest due on the next Interest Payment Date shall be treated as accruing from and including the month in which the next preceding Interest Payment Date on such Bonds occurs, to and excluding the month in which the next Interest Payment Date on such Bonds occurs, ratably over the number of months from the next preceding Interest Payment Date to the next Interest Payment Date at the Variable Interest Rate Calculation Rate, except that such accrual shall be adjusted for any amounts by which the Variable Interest Rate Calculation Rate differs from the actual net interest rate on such Variable Interest Rate Bonds, after taking into account all Swaps designated by the MDC with respect to such Variable Interest Rate Bonds. For purposes of calculating the amount of any Term-Out Payment in respect of a Swap, such amount shall be treated as accruing from and including each month in which the prior Term-Out Payment was made to and excluding the month in which the next Term-Out Payment is required to be made, ratably over the number of months from the date of the prior Term-Out Payment to the date of the next Term-Out Payment. For the purpose of calculating the principal accruing for any month with respect to any Series of Bonds, principal due on the next Principal Installment Date shall be treated as accruing from and including each month in which the next preceding Principal Installment Date on such Bonds occurs, to and excluding the month in which the next Principal Installment Date occurs, ratably over the number of months from the next preceding Principal Installment Date to the next Principal Installment Date. Deposits made by the Trustee into the Interest Account and Principal Installment Account may be made into sub-accounts as directed by the MDC with respect to each series of Bonds and each Swap in accordance with such accruals, or if the deposits are not made in full, then ratably according to such accruals.

Debt Service Fund. [Section 6.6]. The Trustee shall pay out of the Interest Account of the Debt Service Fund and out of the Principal Installment Account of the Debt Service Fund to the respective Paying Agents the amounts required for the payment when due of Interest and Principal on Outstanding Bonds and such amounts shall

be applied by the Paying Agents to such payments. The Trustee shall also pay out of the Interest Account Swap Payments and Term-Out Payments on any Swap when due.

Redemption Fund. [Section 6.7]. Amounts in the Redemption Fund may be applied as directed by the MDC in a certificate of an Authorized Officer of the MDC filed with the Trustee to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the next redemption date plus accrued interest to such next redemption date (such redemption date shall be the earliest date upon which Bonds are subject to redemption from such amounts) or to the redemption of Bonds. Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established other than by application of Sinking Fund Installments, an amount equal to the applicable Redemption Prices thereof shall be credited toward a part of all or any one or more of such Sinking Fund Installments, as directed by an Authorized Officer of the MDC, or, failing such direction by June 30 of each year, toward such sinking Fund Installment in inverse order of their due dates.

Rate Stabilization Fund. [Section 6.9]. There should be deposited in the Rate Stabilization Fund amounts required to be deposited therein in accordance with Section 6.5 of the Special Obligation Indenture. Upon receipt of instructions from an Authorized Officer, the Trustee shall transfer from amounts on deposit in the Rate Stabilization Fund, any portion of such amounts, to the Revenue Fund. Upon receipt of instructions from an Authorized Officer, the Trustee shall transfer from amounts on deposit in the Rate Stabilization Fund, any portion of such amounts, to the MDC to be used in accordance with Section 9.13 of the Special Obligation Indenture.

Payment of Bonds. [Section 9.1] The MDC shall duly and punctually pay or cause to be paid, but only from the Trust Estate as provided herein, the Principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming with respect to any Series of Bonds.

Coverage Covenant. [Section 9.3]. The MDC will establish, fix, and revise from time to time, prior to and during each Fiscal Year, and shall collect in each Fiscal Year beginning with the first complete Fiscal Year after issuance of the Initial Bonds, rates, fees and charges representing Pledged Revenues so that the amount of Revenues Available for Debt Service for such Fiscal Year, as certified by an Authorized Officer based on the MDC's audited financial statements for such Fiscal Year, is equal to no less than an amount equal to 1.20 times the Debt Service Requirements in such Fiscal Year.

Power to Issue Bonds and Make Pledges. [Section 9.6]. The Pledged Revenues, or other receipts, funds and moneys pledged pursuant to the Special Obligation Indenture are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto. The MDC shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the revenues, or other receipts, funds and moneys pledged under the Special Obligation Indenture and all the rights of the Bondholders under the Special Obligation Indenture against all claims and demands of all persons whomsoever including defending, preserving and protecting such pledges as statutory liens as set forth in the Act.

Indebtedness and Liens. [Section 9.7]. The MDC (1) shall not issue any securities or other evidences of indebtedness secured by a prior pledge of particular revenues, receipts, funds or moneys constituting Pledged Revenues, and (2) shall not create or cause to be created any lien, pledge, or charge (other than the lien and pledge created or permitted by the Special Obligation Indenture) on the Bond Proceeds Fund, the Debt Service Fund, and the Redemption Fund and (3) shall not hereafter mortgage any of its property for which any of the Pledged Revenues are applicable and, in any event, shall not mortgage the system. Except as provided below, the MDC shall not issue any securities or other evidence of indebtedness secured by a parity pledge of the Pledged Revenues, other than Additional Bonds or Refunding Bonds or otherwise permitted with respect to Notes pursuant to the provisions of the Special Obligation Indenture.

Nothing in the Special Obligation Indenture shall prevent the MDC from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrances of, the Pledged Revenues to be derived on and after the date the Special Obligation Indenture shall be discharged and satisfied as provided in the Special Obligation Indenture, or payable from amounts transferred from the Revenue Fund under clause Third of Section 6.5C

Issuance of Additional Bonds; Execution of Swaps. [Section 9.8]. No Additional Bonds, other than Refunding Bonds, may be authorized and issued under the Special Obligation Indenture unless a certificate signed by an Authorized Officer of the MDC is delivered to the Trustee stating that either (i) the Revenues Available for Debt Service, for either of the last two full Fiscal Years, based on the most recent audited financial statements of the MDC preceding the date of issuance of such Additional Bonds, was equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year or (ii) the Revenues Available for Debt Service, for either of the last two full Fiscal Years, adjusted for any adopted increases in the Special Sewer Surcharge as if such increases had been in effect from the beginning of such Fiscal Year, was equal to an amount 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year.

No Refunding Bonds may be authorized and issued under the Special Obligation Indenture unless a certificate signed by an Authorized Officer of the MDC is delivered to the Trustee stating that (i) estimated average annual Debt Service Requirements on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service Requirement in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded.

No Swap shall be entered into by the MDC unless, with respect to such Swap, written confirmation affirming the existing ratings on the Bonds is filed thereupon with the Trustee.

System. [Section 9.9]. The MDC shall use and apply the proceeds of the Bonds for the Project and shall do all such acts and things appropriate or necessary to receive and collect Pledged Revenues.

The MDC shall operate, or cause to be operated, its water and sewer systems properly and in a sound, efficient and economical manner, and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept in good repair and operating condition, and shall from time to time, make, or cause to be made, all necessary and proper repairs, replacements and renewals, so that the operation of its water and sewer systems may be properly and advantageously conducted, and, if any useful part of its water and sewer systems is damaged or destroyed or taken by exercise of eminent domain, the MDC shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use, and the replacement of such part so taken; provided, however, that nothing in the Special Obligation Indenture shall require the MDC to operate, maintain, preserve, repair, replace, renew or reconstruct any part of its water and sewer systems if there shall have been filed with the Trustee (1) a certificate of an authorized representative stating that in the opinion of the signer (a) abandonment, or operation of such part is economically justified, and (b) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the MDC to satisfy the covenants in the Special Obligation Indenture in the current or any future Fiscal Year, and (2) a certificate of a consulting engineer, concurring in such opinion of the authorized representative if the book value of such part of its water and sewer systems exceeds 1% of the book value of its water and sewer systems.

The MDC shall establish and enforce reasonable rules and regulations governing the operation, use, and services of the system.

The MDC covenants that it will at all times maintain, to the extent reasonably obtainable, insurance with respect to its water and sewer systems with such variations as shall reasonably be required to conform to applicable standard customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing, qualified to do business in the State, and shall be payable to the MDC.

Tax Exemption. [Section 9.10]. In the event Bonds are sold under the Special Obligation Indenture or any Supplemental Indenture thereto as federally tax-exempt bonds, the MDC covenants that it will not take any action or fail to take any action that, solely as a result of such action or failure to act, would result in loss of the exclusion from federal income taxation pursuant to Section 103(a) of the Code of interest paid on such Bonds.

Use of Pledged Revenues. [Section 9.13]. Any funds withdrawn from the Rate Stabilization Fund pursuant to Section 6.9(c) of the Special Obligation Indenture or withdrawn from the Revenue Fund pursuant to clause THIRD of Section 6.5C of the Special Obligation Indenture shall be used by the MDC only for such purposes as

may be a permitted use for the Special Sewer Surcharge under its ordinances as from time to time in effect and (ii) limited to the payment of capital expenditures in connection with the Project or payment of debt service or on indebtedness of the MDC incurred for purposes of funding capital expenditures in connection with the Mandate and the Project (and including, for this purpose, any item of debt service if it would be Debt Service hereunder if incurred with respect to Bonds).

State Pledge. [Section 9.15]. As authorized under section 11 of S.A. 14-21, the District includes the following pledge and undertaking for the State, in the Special Obligation Indenture and in the Bonds issued thereunder:

The State of Connecticut does hereby pledge to and agree with the holders of any bonds, notes and other obligations issued by the Metropolitan District in Hartford County created pursuant to number 511 of the special acts of 1929, as amended, under the authority of chapter 103 of the general statutes or under section 4 of special act 90-27, as amended by section 6 of public act 93-380 and section 10 of this act, which are payable solely from the income and revenue of a particular facility, system or program or the revenues to be derived from sewerage system use charges, and with those parties who may enter into contracts with the District in respect of the same, that the State will not limit or alter the rights vested in the authority to charge and collect such income, revenues, or sewerage system use charges, or in the holders of any bonds, notes or other obligations of the District until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the District, provided nothing contained herein shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds, notes and other obligations of the District or those entering into contracts with the District. The District is authorized to include this pledge and undertaking for the State in such bonds, notes and other obligations or contracts.

Modification and Amendment Without Consent. [Section 10.1]. The MDC may, at any time or from time to time, enter into Supplemental Indentures without consent of the Bondholders or the provider of either a Bond Facility, a Swap Facility or Swap, for any one or more of the following purposes: (1) to provide for the issuance of a Series of Bonds or Notes or Swaps pursuant to the provisions of the Special Obligation Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed; (2) to add additional covenants and agreements of the MDC for the purpose of further securing the payment of the Bonds or Notes or Swaps, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the MDC contained in the Special Obligation Indenture; (3) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the MDC which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (4) to surrender any right, power or privilege reserved to or conferred upon the MDC by the terms of the Special Obligation Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the MDC contained in the Special Obligation Indenture; (5) to confirm as further assurance any pledge under the Special Obligation Indenture subject to any lien, claim or pledge created or to be created by the provisions of the Special Obligation Indenture, of the moneys, securities or funds; (6) to modify any of the provisions of the Special Obligation Indenture or any previously adopted Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Indenture shall cease to be Outstanding, and all Bonds issued under such subsequent Supplemental Indenture shall contain a specific reference to the modifications contained in such subsequent Supplemental Indenture; (7) to cure any ambiguity, or defect or inconsistent provision in the Special Obligation Indenture or to insert such provisions clarifying matters or questions arising under the Special Obligation Indenture as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; (8) consistent with Section 9.10 of the Special Obligation Indenture, to ensure the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes; (9) to grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted or conferred and which are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; (10) to grant such rights and remedies and make such other covenants subject to the Special Obligation Indenture (including any prior Supplemental Indenture) as may be necessary for issuance of a Bond Facility, a Swap or a Swap Facility so long as

such rights, remedies and covenants are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; or (11) to provide for the issuance of indebtedness of the MDC secured by payments to be made pursuant to Clause Third of Section 6.5C of the Special Obligation Indenture.

Amendments and Supplemental Indentures Effective With Consent of Bondholders. [Section 10.2]. Subject to the provisions of any Supplemental Indenture granting rights to the provider of any Bond Facility or otherwise, the provisions of the Special Obligation Indenture may also be modified or amended, at any time or from time to time, by any Supplemental Indenture, subject to the consent of Bondholders in accordance with and subject to the provisions of Article XI of the Special Obligation Indenture, to become effective upon the execution thereof by the MDC and the Trustee, and the filing with the Trustee of a copy thereof certified by an Authorized Officer of the MDC.

Powers of Amendment. [Section 11.1]. Except as provided in Section 10.1 of the Special Obligation Indenture, any modification or amendment of the Special Obligation Indenture and of the rights and obligations of the MDC and of the Holders of the Bonds thereunder, in any particular, may be made by any Supplemental Indenture, with the written consent of the Holders of not less than a majority in principal amount of the Outstanding Bonds of all Series affected by such amendment or amendments or Supplemental Indenture or Indentures, voting as a single series; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit (1) a change in the terms of redemption or maturity of the Principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or (2) shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

Consent of Bondholders. [Section 11.2]. A. The MDC and the Trustee may at any time enter into any Supplemental Indenture making a modification or amendment permitted by the Special Obligation Indenture. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the MDC) together with a request to Bondholders for their consent thereto in form satisfactory to the MDC, shall promptly after adoption be mailed by the MDC to Bondholders. Such Supplemental Indenture shall not be effective unless and until (1) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 11.1 of the Special Obligation Indenture, and (b) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of the Special Obligation Indenture, is authorized or permitted by the Special Obligation Indenture, and is valid and binding upon the MDC and enforceable in accordance with its terms, and (2) a notice shall have been published as provided in Section 11.2 of the Special Obligation Indenture.

Exclusion of Bonds. [Section 11.5]. Bonds owned or held by or for the account of the MDC shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Special Obligation Indenture, and the MDC shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Special Obligation Indenture. At the time of any consent or other action taken under the Special Obligation Indenture, the MDC shall furnish the Trustee a certificate of an Authorized Officer of the MDC, upon which the Trustee may rely, describing all Bonds so to be excluded.

Events of Default. [Section 12.1]. Each of the following events is hereby declared an "Event of Default" if:

(1) the MDC shall default in the payment of the Principal of or Redemption Price, it any, or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(2) Except as provided in Subsection (1) above, the MDC shall fail or refuse to comply with the provisions of the Special Obligation Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in any Supplemental Indenture or in any Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the Holders of not less than one-third in principal amount of the Outstanding Bonds, or in the Event of

Default arising from the failure of the MDC to duly and punctually perform the covenant contained in Section 9.10 of the Special Obligation Indenture which results in the interest on the Bonds of the Series to which such covenant applies being no longer excluded from gross income under Section 103(a) of the Code, one-third in principal amount of the Outstanding Bonds of such Series affected thereby; provided, however, any failure by the MDC comply with the provisions of Section 9.3 of the Special Obligation Indenture shall not constitute an Event of Default if the MDC shall adopt rates, fees and charges within 150 days after the end of a Fiscal Year which, had they been in effect from the beginning of such Fiscal Year would have been sufficient to comply with such Section 9.3, as demonstrated by an Officer's Certificate; or

(3) The MDC (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of its water and sewer systems, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the MDC, or of the whole or any substantial part of the System.

Remedies. [Section 12.2]. Upon the happening and continuance of any Event of Default after the conditions specified in the Special Obligation Indenture have been satisfied, the Trustee may:

(1) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the MDC to receive and collect revenues, including Pledged Revenues adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Revenues and to require the MDC to carry out any other covenants or agreements with Bondholders and to perform its duties under the Authorizing Acts;

(2) bring suit upon the Bonds;

(3) by action or suit in equity, require the MDC to account as if it were the trustee of an express trust for the Holders of the Bonds; and

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds.

In the enforcement of any rights and remedies under the Special Obligation Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the MDC for Principal, Redemption Price, interest or otherwise, under any provision of the Special Obligation Indenture or any Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the MDC for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. All remedies conferred upon or reserved to the Holders of Bonds may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by any Supplemental Indenture and may be cumulative.

Priority of Payments After Default. [Section 12.3]. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and Principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Special Obligation Indenture, shall be applied as follows: first, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably (after application of the funds securing particular

bonds as set forth in Section 12.3 of the Special Obligation Indenture), according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; second, to the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably (after application of the funds securing particular bonds as set forth in Section 12.3 of the Special Obligation Indenture), according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and third, to the payment to other persons entitled to payment under the Special Obligation Indenture or any applicable Supplemental Indenture.

Defeasance. [Section 14.1]. If the MDC shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the Principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Special Obligation Indenture, then, at the option of the MDC, expressed in an instrument in writing signed by an Authorized Officer of the MDC and delivered to the Trustee, the covenants, agreements and other obligations of the MDC to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the MDC, execute and deliver to the MDC all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the MDC all moneys, securities and funds held by them pursuant to the Special Obligation Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the MDC of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with effect expressed in the foregoing paragraph. Any Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if, (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the MDC shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption as provided in **Error! Reference source not found.** of the Special Obligation Indenture on said date of such Bonds, (2) there shall have been deposited with the Trustee either (a) moneys in an amount which shall be sufficient, (b) Government Obligations or (c) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (b), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under Section **Error! Reference source not found.** of the Special Obligation Indenture, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee, or other bank or trust company, at the same time, are certified by an independent public accounting firm or verification firm of national reputation to be sufficient, to pay, when due, the Principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the MDC shall have given the Trustee in form satisfactory to it irrevocable instructions to notify the Holders of such Bonds, as soon as practicable, that the deposit required by clause (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with Section 14.1 of the Special Obligation Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, on said Bonds. Government Obligations and moneys deposited with the Trustee pursuant to Section 14.1 of the Special Obligation Indenture and principal or interest payments on any such securities shall be held in trust for the payment of the Principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the Principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the MDC, as received by the Trustee, free and clear of any trust, lien or pledge and (4) a Counsel's Opinion has been delivered to the Trustee to the effect that the discharge of such Bonds will not result in the interest on any Bonds becoming includable in the gross income of Holders thereof for federal income tax purposes (to the extent those Bonds were issued on the basis that the interest thereon was excluded from gross income of the Holders for federal income tax purposes).

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FORM OF CONTINUING DISCLOSURE AGREEMENT

The Metropolitan District, Hartford County, Connecticut
\$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A
\$76,065,000 Clean Water Project Refunding Revenue Bonds, 2020 Series B
Dated August __, 2020

WHEREAS, The Metropolitan District, Hartford County, Connecticut (the “District”) has authorized the issuance of \$55,010,000 Clean Water Project Revenue Bonds, 2020 Series A and \$76,065,000 Clean Water Project Refunding Revenue Bonds, 2020 Series B dated August __, 2020 (collectively the “Bonds”), to mature on the dates and in the amounts set forth in the District’s Official Statement dated August 13, 2020 describing the Bonds (the “Official Statement”); and

WHEREAS, the Bonds have been sold pursuant to a Bond Purchase Agreement dated August 13, 2020 (the “Purchase Contract”); and

WHEREAS, in the Purchase Contract, the District acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the District has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure as required by the Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the “Rule”), and the District desires to assist the underwriters of the Bonds to meet the requirements of the Rule; and

WHEREAS, the District is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriters of the Bonds to meet the requirements of the Rule, this Continuing Disclosure Agreement (this “Agreement”) is to be made, executed and delivered by the District in connection with the issuance of the Bonds and to be described in the Official Statement, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, the District hereby represents, covenants and agrees as follows:

SECTION 1. Definitions. In addition to the definitions above, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the District pursuant to and as described in and consistent with Sections 2 and 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Section 2(a) by which the Annual Report is to be filed with the Repository.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the District and/or its members for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally

accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Listed Events" shall mean any of the events listed in Section 4 of this Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" shall mean the Electronic Municipal Market Access system of the MSRB as described in 1934 Act Release No. 57577 for purposes of the Rule or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for the purposes of the Rule.

"SEC" shall mean the Securities and Exchange Commission of the United States or any successor thereto.

SECTION 2. Provision of Annual Reports.

(a) The District shall provide, annually, an electronic copy of the Annual Report to the Repository not later than eight (8) months after the end of each fiscal year of the District, commencing with the fiscal year ending December 31, 2020. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If Audited Financial Statements of the District are prepared but not available prior to the Annual Filing Date, the District shall submit unaudited financial statements by the Annual Filing Date and, when the Audited Financial Statements are available, shall file the Audited Financial Statements in a timely manner with the Repository.

(c) If the District is unable to provide an Annual Report to the Repository by the Annual Filing Date, it shall send a notice in electronic format to the Repository of its failure to provide such Annual Report.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the District as follows: (i) commencing with information and data for the fiscal year ending December 31, 2020, the Audited Financial Statements of the District, which statements shall be prepared in accordance with generally accepted accounting principles accepted in the United States, as promulgated by the Government Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and (ii) to the extent not included in the financial statements described in (i) above:

(1) under the heading "CLEAN WATER PROJECT PLAN OF FINANCE", information concerning historical funding for the Clean Water Project, collections of the special sewer service surcharge (the Clean Water Project Charge), collections for the top Clean Water Project Charge rate payers, and debt service coverage; and

(2) under the heading "SEWER AND WATER OPERATIONS", information concerning the District's facilities for sewer service and the sewer user charges, the Clean Water Project Charge, facilities for water service, water consumption and water utility unit charges.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. If the District is no longer required by applicable law,

regulations or other legally binding obligation to prepare such audited financial statements, the District reserves the right to provide only financial statements which are not audited. Audited Financial Statements (if any) will be provided pursuant to Section 2.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the District is an “obligated person” (as defined by the Rule), which have been previously filed with the Repository or the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Listed Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or other similar event of any obligated person;
13. The consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such action or the termination of a definitive agreement related to such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of a name of a trustee, if material;

15. The incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the District, any of which affects security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

For the purposes of events 15 and 16 above, the term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with the MSRB pursuant to the Rule.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, provide or cause to be provided a notice of such occurrence to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The District's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement and may discharge any such agent with or without appointing a successor agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the District may amend this Agreement (and any provision of this Agreement may be waived), provided that the following conditions are satisfied:

(a) It may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District or of the type of business conducted by the District;

(b) This Agreement, as so amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The District receives an opinion of counsel expert in federal securities laws to the effect that the amendment or waiver does not materially impair the interests of the holders of the Bonds.

A copy of any such amendment will be filed in a timely manner with the Repository in electronic format. The Annual Report provided on the first date following the adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

SECTION 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Statement, Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the District chooses to include any information in any Annual Financial Statement, Annual Report or notice of

occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Statement, Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Enforceability. The District agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event of a failure of the District to comply with any provision of this Agreement, the District shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the District does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to specific performance to cause the District to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default of the District with respect to the Bonds. No person or entity shall have any right to any monetary damages for any default under this Agreement.

SECTION 10. Indemnification. The District agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding loss, expense or liability due any such person's willful misconduct. The obligations of the District under this Section shall survive payment of the Bonds.

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Agreement to be executed in its name by the undersigned officers, duly authorized, all as of the date first written above.

**THE METROPOLITAN DISTRICT,
HARTFORD COUNTY, CONNECTICUT**

By: _____
William A. DiBella
Chairman

By: _____
Christopher P. Martin
Chief Financial Officer/Treasurer

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BOOK-ENTRY-ONLY SYSTEM

Unless otherwise noted, the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the 2020 Series AB Bonds, payment of interest and other payments on the 2020 Series AB Bonds to DTC Participants or Beneficial Owners of the 2020 Series AB Bonds, confirmation and transfer of beneficial ownership interests in the 2020 Series AB Bonds and other bond-related transactions between DTC, the DTC Participants and Beneficial Owners of the 2020 Series AB Bonds is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, the MDC, the Trustee and the Underwriters do not and cannot make any representations concerning these matters.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020 Series AB Bonds. The 2020 Series AB Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the 2020 Series AB Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA-. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2020 Series AB Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Series AB Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2020 Series AB Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in the 2020 Series AB Bonds, except in the event that use of the book-entry system for the 2020 Series AB Bonds is discontinued.

To facilitate subsequent transfers, all 2020 Series AB Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2020 Series AB Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 Series AB Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Series AB Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2020 Series AB Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the MDC as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2020 Series AB Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption payments on the 2020 Series AB Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the MDC or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent, or the MDC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds on the 2020 Series AB Bonds to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2020 Series AB Bonds at any time by giving reasonable notice to the MDC or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The MDC may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the MDC and the Underwriters believe to be reliable, but neither the MDC nor the Underwriters take any responsibility for the accuracy thereof.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE MDC, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, INTEREST ON OR PURCHASE PRICE OF THE 2020 SERIES AB BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2020 SERIES A BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

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MDC



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