

**THE METROPOLITAN
DISTRICT**

**Hartford County
Hartford, Connecticut**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**



Year Ended December 31, 2021

**THE METROPOLITAN
DISTRICT**
Hartford County
Hartford, Connecticut

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

Year Ended December 31, 2021

Finance Department

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**THE METROPOLITAN DISTRICT
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INTRODUCTORY SECTION

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The Metropolitan District

water supply · environmental services · geographic information

June 24, 2022

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 an independent firm of licensed public accountants. We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of The Metropolitan District (hereafter, “the District” or “the MDC”) for fiscal year end December 31, 2021.

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.

CliftonLarsonAllen, LLP (“CLA, LLP”), licensed certified public accountants, has issued an unmodified (“clean”) opinion of the District’s financial statements for fiscal year end December 31, 2021. The independent accountant’s report is located in the front of the financial statement section of this report.

The MDC’s fiscal year 2021 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 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 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 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 facilities and supplies water, under special agreements, to all or portions of several non-member municipalities as well as various State facilities. These non-member municipalities currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor 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 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.

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 obligation of the District and its inhabitants. The District Board has the power to levy a tax upon the Member Municipalities to finance the operational and capital budget of the General Fund.

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

Local Economy

The Member Municipalities of the MDC are a mixture of urban and suburban communities with an aggregate population of approximately 366,000 people and median household incomes ranging from \$36,154 to \$105,240. These diverse member municipalities comprise a strong and stable service area as evidenced by 10.1% growth in the combined grand lists from 2011 to 2020. 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.

In 2021, the COVID-19 pandemic continued to have a significant impact on national and state economies. Supply chain disruptions have caused increase costs and lead-times for ordering supplies necessary for the District's infrastructure projects. Additionally, costs for fuel, natural gas and electricity have increased substantially in 2021.

The District continues to collaborate with state and federal agencies to ensure that we follow all appropriately determined COVID-19 pandemic protocols. The District continues to maintain uninterrupted water and wastewater services. 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.

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. The region's economic performance from 2007 to 2017 trailed the US economy, experiencing almost no post-recession growth. However, even though the State of Connecticut's 4.2% increase of real gross domestic product from 2020 to 2021 lagged the United States' growth of 5.7%, in the fourth quarter of 2021 Connecticut achieved a 7.7% growth rate versus the United States' growth of 6.9% possibly indicating momentum for continued growth.

Within the last decade ending 2021, the State of Connecticut has had seasonally adjusted annual unemployment rates higher than the United States in seven of the ten years, with slightly lower rates in 2016, 2019, and 2020. For the District's fiscal year 2021, the State of Connecticut had an average annual unemployment rate of 6.3% compared to the United States' rate of 5.4%.

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 S&P ratings that are AA or higher and represent 74.4% of the ad valorem taxes paid by the member municipalities to the MDC. The outliers are West Hartford (23.1%) and Windsor (8.8%) both with AAA ratings and Hartford (25.6%) with a BBB rating with a stable outlook.

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 five-year financial recovery plan. In response to the Contract Assistance Agreement and increased economic activity, the City of Hartford's underlying bond rating has increased steadily to BB+ with a stable outlook from S&P.

More recently, the State and the Greater Hartford region 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. 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 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.

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 and regulatory environment in which it 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 (31.3% of total general fund revenues). In August 2019, the District Board adopted a formal policy which seeks to maintain a general fund balance between 30% and 35% 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 86.74% as of December 31, 2021. Collectively, these measurements illustrate the financial strength of the District.

The District's Charter limits the amount of general obligation debt it may issue to 5% of the combined Grand List of its member towns. The current debt limitation for the District is \$1.4 billion of which the District has \$0.8 billion outstanding leaving an available balance of \$0.6 billion. 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 initial LTCP, the Clean Water Project was 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 Hartford and 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. Meetings with CT DEEP have generated resubmittals, most recently a February 2021 submittal of a Phase I Implementation Plan, which is under review. This resubmitted LTCP introduces the concept of an “Integrated Plan,” which recognizes the District’s ongoing capital improvement and maintenance program and 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 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 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 ACFR for the fiscal year ended December 31, 2020. This prestigious award is conferred upon government entities who publish an easily readable and efficiently organized ACFR 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 ACFR continues to meet the rigorous standards of the Certificate of Achievement Program 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 ACFR, 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 remains committed to 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 Municipalities and customers. Looking forward, the MDC will continue to develop sound business goals and adopt implementation plans that fulfill the performance objectives set forth in its Strategic Plan.

Sincerely,



Scott W. Jellison
Chief Executive Officer



Robert Barron
Director of Finance / Chief Financial Officer

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Government Finance Officers Association

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**The Metropolitan District
Connecticut**

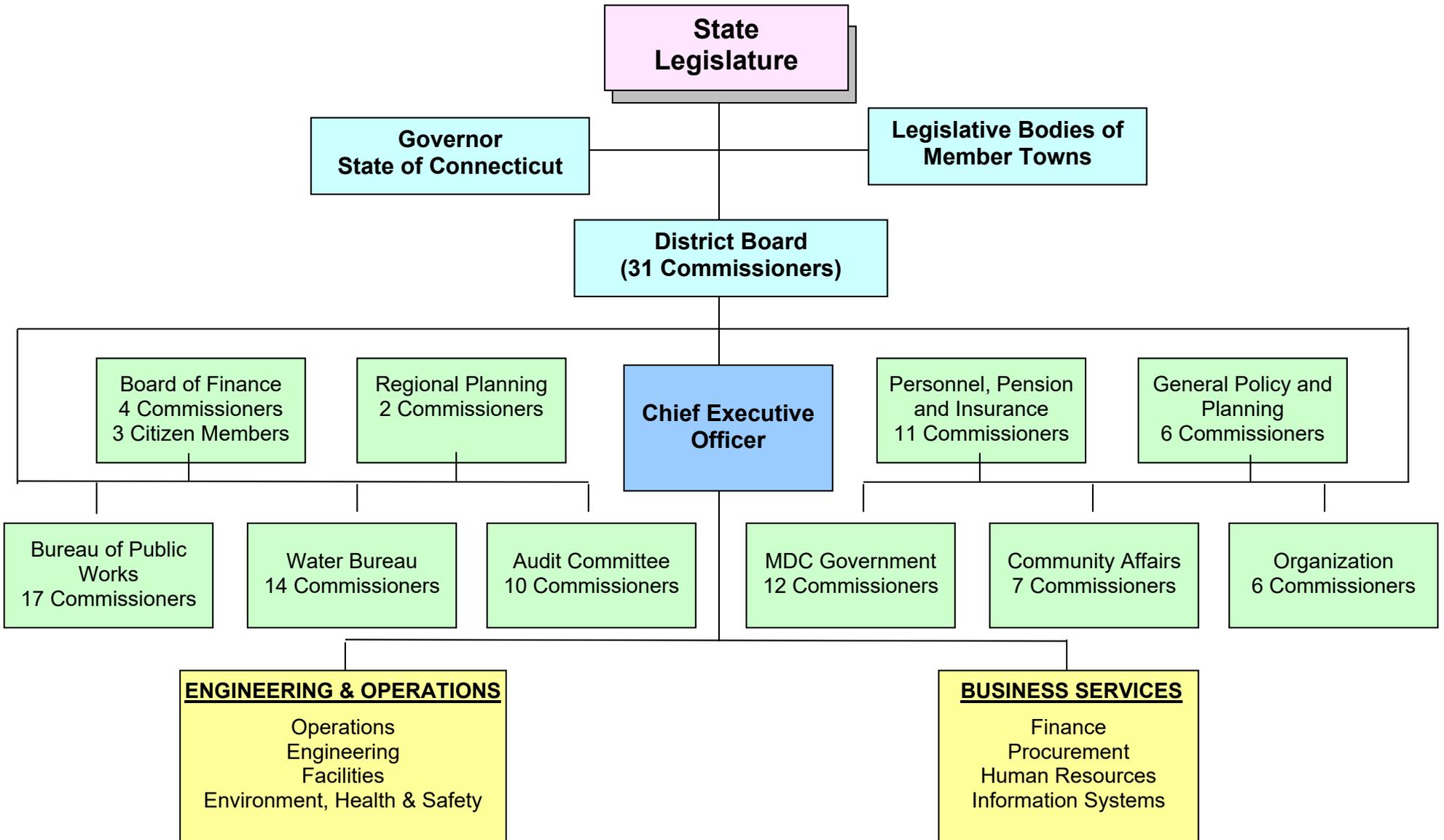
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

**The Metropolitan District
Hartford County
Organization Chart**



**THE METROPOLITAN DISTRICT
THE DISTRICT BOARD**

Name	Primary Occupation	Municipality Represented	Term Expires	Bureaus, Boards, Committees
William A. DiBella, Chairman	Consultant	Hartford	12-31-2026	Ex-Officio Member of all Bureaus, Boards, Commissions and Standing Committees
Maureen Magnan, Vice Chairman	Special Projects/ Government Affairs	West Hartford	12-31-2026	Bureau of Public Works, General Policy and Planning, Committee on MDC Government, Personnel, Pension & Insurance Committee, Community Affairs Committee, CRRA Steering Committee, Personnel, Pension & Insurance Investment Subcommittee
Andrew Adil	Investment Advisor	Wethersfield	12-31-2024	Bureau of Public Works, Water Bureau, Board of Finance, Strategic Planning Committee, Committee on Revenues, Riverfront Recapture Subcommittee, Personnel, Pension & Insurance Investment Subcommittee
John Avedisian	Plant Metallurgist	Windsor	12-31-2022	Bureau of Public Works, Committee on MDC Government, Personnel, Pension and Insurance Committee, Strategic Planning Committee
Clifford Avery Buell	Investment Advisor	Hartford	12-31-2021	Water Bureau, Committee on MDC Government, Committee on Organization, Community Affairs Committee, Farmington River Watershed, Committee on Revenue, Water Bureau Subcommittee on Customer Base
Richard Bush	Self-Employed/ Real Estate and Property Management Owner	West Hartford	12-31-2022	Bureau of Public Works, 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, Riverfront Recapture Subcommittee
David Drake		Wethersfield	12-32-2026	Bureau of Public Works
Peter Gardow	Principal Engineer	Legislative Appointee	12-31-2026	Water Bureau, Committee on MDC Government, Audit Committee

James Healy	Attorney	West Hartford	12-31-2024	Bureau of Public Works, Committee on MDC Government, Strategic Planning Committee, Farmington River Watershed
Allen Hoffman	Retired	Legislative Appointee	12-31-2024	Bureau of Public Works, Board of Finance, Committee on MDC Government, Committee on Organization, Audit Committee, Strategic Planning Committee, Committee on Revenues, Riverfront Recapture Subcommittee
Christian Hoheb	Attorney	Farmington	12-31-2026	District Board Only
Georgiana E. Holloway	Retired	Hartford	12-31-2026	Water Bureau, Community Affairs Committee, Committee on MDC Government, Farmington River Watershed
David Ionno	Retired	Hartford	12-31-2020*	Water Bureau, Committee on MDC Government, Community Affairs Committee
Shubhada Kambli		Hartford	12-31-2024	Water Bureau, Committee on MDC Government, Personnel, Pension & Insurance Committee
Mary LaChance		Glastonbury	12-31-2025	District Board Only
Gary LeBeau	Retired	East Hartford	12-31-2022	Water Bureau, Committee on MDC Government, Strategic Planning Committee
Diane Lewis	Case Manager of Jobs Funnel / Best Chance Programs	Hartford	12-31-2024	Water Bureau, Audit Committee
Byron Lester	Information Technology Systems Administrator	Bloomfield	12-31-2024	Bureau of Public Works, Personnel, Pension & Insurance Committee
Jackie Gorsky Mandyck	Executive Director	West Hartford	12-31-2024	Water Bureau, Audit Committee, Strategic Planning 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

Dominic Pane	Self-Employed / Owner	Newington	12-31-2022	Bureau of Public Works, Water Bureau, General Policy & Planning, Personnel, Pension and Insurance Committee, Audit Committee, Strategic Planning Committee, Committee on Revenue, Water Bureau Subcommittee on Customer Base, Personnel, Pension & Insurance Investment Subcommittee
Bhupen Patel	Retired	Newington	12-31-2026	Bureau of Public Works, Personnel, Pension and Insurance Committee, Farmington River Watershed
Jon Petoskey		East Hartford	12-31-2025	Water Bureau, Strategic Planning Committee
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, Riverfront Recapture Subcommittee
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, Committee on Revenue, Water Bureau Subcommittee on Customer Base, Riverfront Recapture Subcommittee, Personnel, Pension & Insurance Investment Subcommittee
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, Committee on Revenue, Water Bureau Subcommittee on Customer Base, Personnel, Pension & Insurance Investment Subcommittee
Calixto Torres	Retired	Hartford	12-31-2022	Bureau of Public Works, Strategic Planning Committee
Richard V. Vicino	Self-Employed / Construction Management	Legislative Appointee	12-31-2021	Bureau of Public Works, Committee on Organization, Community Affairs Committee, Audit Committee, Strategic Planning Committee, Energy Committee, Committee on Revenues

James Woulfe	Government Affairs Director	Hartford	12-31-2024	Bureau of Public Works, Strategic Planning 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, 2021*

	Total Commissioners	Appointed By		
		Municipality	Governor	Legislature
Hartford	9	6	3	
East Hartford	4	3	1	
West Hartford	4	3	1	
Windsor	1	1		
Bloomfield	1	1		
Wethersfield	2	1	1	
Newington	2	1	1	
Rocky Hill	1	1		
East Granby	0			
Farmington	1	1		
Glastonbury	1	1		
South Windsor	1	1		
Legislative Appointment	4			4
	<u>31</u>	<u>20</u>	<u>7</u>	<u>4</u>

* One Windsor Commissioner appointed by the Governor and one East Granby Commissioner appointed by the municipality are vacant as of 12/31/2021

THE METROPOLITAN DISTRICT

**HARTFORD COUNTY
BOARD OF FINANCE**

	Term <u>Expires</u>
William A. DiBella (Ex-Officio)	12-31-2026
Andrew Adil	12-31-2024
Donald Currey	12-31-2024
Allen Hoffman	12-31-2024
Pasquale J. Salemi	12-31-2022
Joan McCarthy Gentile	12-31-2021
Linda A. King-Corbin	12-31-2021
Awet Tsegai	12-31-2021

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Finance
The Metropolitan District
Hartford, Connecticut

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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.

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, 2021, 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.

Emphasis of Matter

The Metropolitan District reported a restatement in the general and clean water project funds for revenue recognition under the modified accrual basis of accounting on sewer use receivables and grant receivables (see Note 7). Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Metropolitan District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Metropolitan District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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.

Supplementary 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 combining financial statements and schedules are presented for purposes of additional analysis and are 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 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022 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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
June 20, 2022

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Management's Discussion and Analysis Fiscal Year Ended December 31, 2021

This discussion and analysis of the Metropolitan District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2021. Please read it in conjunction with the transmittal letter (beginning on page i-vii), basic financial statements (beginning on page 17), and notes to the financial statements (beginning on page 28).

FINANCIAL HIGHLIGHTS

Government-wide financials

- Total net position of the District at the close of fiscal year 2021 is \$1.061 billion. Of this amount, negative \$136.0 million is unrestricted. The negative unrestricted balance is due to long-term liabilities related to pension and other post-employment benefits (OPEB).
- Total net position increased \$117.4 million or 12.4% over the prior fiscal year, \$69.0 million in governmental activities and \$48.4 million in business-type activities.
 - Capital assets increased \$97.6 million overall, \$66.4 million in governmental activities and \$31.2 million in business-type activities. These increases are due primarily to construction work in progress for Clean Water projects (\$60.4M) in governmental activities and Webster Hill Area Water Main Replacement (\$10.6M), Assessable Water Main Replacements (\$5.8M) and Farmington Avenue West Hartford Water Main Replacement (\$4.5M) in business-type activities.
 - Cash, receivables and other assets increased by \$11.1 million
 - Net deferrals decreased liabilities by \$19.0 million, driven primarily by OPEB, as follows:
 - ▲ OPEB net deferral decreased \$34.0 million to \$105.8 million comprised of a \$28.8 million deferred outflows and a \$134.6 million deferred inflows. The discount rate changed from 2.74% based on the 20-year index of yields on high-grade municipal bonds to 6.875% based on the expected long-term real rate of return after the establishment of an OPEB trust,. The overall net OPEB liability is \$177.8 million after \$19.0 million of net OPEB expense was recognized in 2021.
 - ▲ Pension net deferral increased by \$11.3 million to \$6.3 million comprised of a \$22.3 million deferred outflows a \$28.6 million deferred inflows. The assumed discount rate change from 6.875% to 6.75% increasing liabilities which were offset by a 13.72% money-weighted rate of return achieved on investments. The overall net pension liability is \$42.7 million after \$5.8 million of net pension expense was recognized in 2021.
 - ▲ Charge on refunding net deferral increased by \$3.7 million.
 - Current and non-current liabilities increased by \$10.3 million overall.
 - ▲ Governmental activities increased its long-term liabilities by a net \$69.3 million. There were \$314.1 million in General Obligation and Revenue bond issues and \$39.9 million of Clean Water Loans added to the long-term liabilities offset by \$199.7 million of bond and \$80.9 million in Clean Water payments refunded debt and a net decrease of \$4.1 million of compensated absences and net pension and opeb liability subtracted from the long-term liabilities.

- ▲ Business-type activities increased its long-term liabilities by net \$39.4 million. There were \$80.5 million in General Obligation bond issues and \$10.4 million of Drinking Water Loans added to the long-term liabilities offset by \$36.2 million of bond and \$3.5 million in Drinking Water payments and refunded debt and a net decrease of \$11.8 million of compensated absences, claims, settlements and net pension and opeb liability subtracted from the long-term liabilities.
- ▲ Bond anticipation notes were refunded in 2021 reducing liabilities by \$95.0 million.
- ▲ Accounts payable, accrued items, and customer advances for construction reduced liabilities by a net \$3.4 million.

Fund financials

- The fund balance for the total Governmental Funds at the close of fiscal year 2021 is \$137.5 million. Of this amount, \$102.6 million is committed for Clean Water and Capital projects, \$25.6 million is unassigned in the General Fund, \$5.2 million is restricted for Debt Service and \$4.1 million is non-spendable inventory and pre-paid items in the General Fund.
- The \$25.6 million unassigned fund balance in the General fund is 31.3% of the \$81.7 million total General fund revenues. The District's fund balance policy targets a range of 30-35% for this ratio.

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 major components along with other supplementary information.

Government-Wide Financial Statements (pages 17-18). The government-wide financial statements present the financial picture of the District from the economic resources measurement focus, using the accrual basis of accounting, which is similar to that used by private-sector companies.

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).

These two statements report the District's net position and the change in net position. Net position is the residual of assets and deferred outflows less liabilities and deferred inflows. Net position is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. These statements separate District activities as follows:

Governmental activities - Include general government, operations, plants and maintenance, and Interest on long-term debt, and in particular include its wastewater operations which are principally supported by taxes, charges for services, operating grants and contributions, capital grants and contributions.

Business-type activities - Include Water and Hydroelectricity facilities and are intended to recover all or a significant portion of their costs through user fees and charges and capital grants and contributions.

Fund Financial Statements (pages 19-27). 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 -- The District maintains four individual governmental 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, which are designated major 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.

Proprietary funds -- The District maintains three proprietary type funds, major and non-major enterprise funds and an internal service fund. The District uses enterprise funds to account for its water and hydroelectricity operations. Proprietary funds provide the same type of information as business-type activities in 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.

Fiduciary Funds -- The District is the trustee, or fiduciary, for assets held on behalf of participants in its pension and other post-employment benefits plans. 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.

Notes to the Financial Statements (pages 28-67). The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements, an Annual Comprehensive Financial Report requires inclusion of two other sections with specific requirements.

Required supplementary information (RSI) (pages 68-76). General Fund budget to actual schedules are not part of the basic financial statement. Information about the District's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

Supplemental, Combining Statements and Schedules (pages 77-80). This section includes information on the Assessable Sewer Construction capital projects fund along with combining statements of fiduciary net position for pension and OPEB trust funds.

Statistical Section (pages 81-92). This section includes financial trends; revenue and debt capacity analyses; demographic, economic and operating information.

FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE Government-Wide Financial Analysis

The following paragraphs provide an analysis of the District's overall financial position and results of operations.

Financial Position

Net position, over time, is a useful indicator of a government's financial position and an important determinant of its ability to provide services in the future. In 2021 the District's assets exceeded liabilities by a total \$1.061 billion, \$861.6 million from Governmental Activities and \$199.5 million from Business-Type Activities.

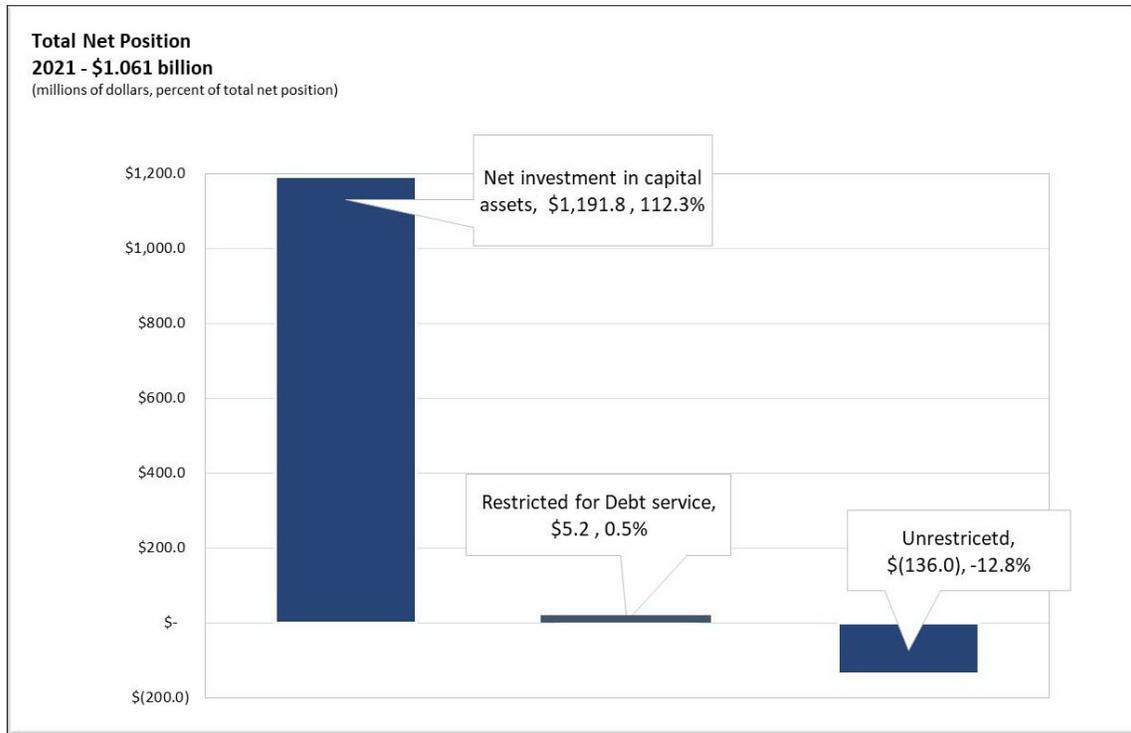
The following table shows a summary of the Statement of Net Position for the past two years. The District's net position increased by \$117.4 million overall during the fiscal year or 12.4%.

Statement of Net Position as of December 31st

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and other assets	\$ 177,461,348	\$ 112,688,483	\$ 290,149,831	\$ 159,323,886	\$ 119,634,345	\$ 278,958,231
Capital assets, net of accumulated depreciation	2,037,295,563	680,083,154	2,717,378,717	1,970,906,638	648,901,852	2,619,808,490
Total assets	2,214,756,911	792,771,637	3,007,528,548	2,130,230,524	768,536,197	2,898,766,721
Deferred outflows of resources	23,040,774	30,101,961	53,142,735	32,229,940	42,579,595	74,809,535
Current liabilities	34,747,343	14,560,520	49,307,863	82,128,023	65,558,474	147,686,497
Long-term liabilities outstanding	1,267,981,027	512,978,513	1,780,959,540	1,198,647,030	473,590,183	1,672,237,213
Total liabilities	1,302,728,370	527,539,033	1,830,267,403	1,280,775,053	539,148,657	1,819,923,710
Deferred inflows of resources	73,496,973	95,870,745	169,367,718	89,068,803	120,922,256	209,991,059
Net Position:						
Net investment in capital assets	884,236,060	307,558,127	1,191,794,187	846,161,504	281,225,011	1,127,386,515
Restricted	5,200,545		5,200,545	2,744,874		2,744,874
Unrestricted	(27,864,263)	(108,094,307)	(135,958,570)	(56,289,770)	(130,180,132)	(186,469,902)
Total Net Position	\$ 861,572,342	\$ 199,463,820	\$ 1,061,036,162	\$ 792,616,608	\$ 151,044,879	\$ 943,661,487

See the Statement of Net Position (page 17) for more detailed information.

By far, the largest portion of the District's assets in 2021 is its \$2.7 billion investment in capital assets (land, infrastructure, plants, machinery and equipment). Resources required to repay debt must be provided from other than the District's investment in capital assets, since the capital assets themselves cannot be used to liquidate these liabilities.



Governmental Activities. The net position of governmental activities increased \$69.0 million or 8.7% from the prior year. The Statement of Net Position shows an increase of \$66.4 in capital assets, \$17.8 million in cash and receivables, a net \$0.4 million in other assets, and a \$6.4 million net decrease in pension, OPEB and refunding deferrals offset by a net increase of \$22.0 million in current and long-term liabilities.

Business-Type Activities. The net position of business-type activities increased \$48.4 million or 32.1% from the prior year. The Statement of Net Position shows an increase of \$31.2 in capital assets, a net \$0.3 million in other assets, an \$11.6 million decrease in current and long-term liabilities and a \$12.6 million net decrease of pension, OPEB and refunding deferrals offset by a net \$7.3 million reduction in cash and receivables.

Unrestricted Net Position. The unrestricted net position balance measures the well-being of the District and its governmental and business-type activities. It is the residual amount of the net position not included in the net investment in capital assets or the restricted net position.

Results of Operations

In addition to the analysis of net position provided earlier, it is important to analyze the financial operations that took place during the year. The following table provides a summary of the Statement of Activities, which also presents the changes in net position.

Statement of Activities as of December 31st

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 82,889,800	\$ 102,216,273	\$ 185,106,073	\$ 86,709,779	\$ 106,176,291	\$ 192,886,070
Operating grants and contributions	12,406,369		12,406,369	10,111,198		10,111,198
Capital grants and contributions	24,472,158	5,828,453	30,300,611	23,423,241	6,651,401	30,074,642
General revenues:						
Sewer taxation - member municipalities	51,475,700		51,475,700	51,475,700		51,475,700
Unrestricted investment earnings	125,549	66,139	191,688	1,029,927	77,698	1,107,625
Miscellaneous income		1,149,683	1,149,683		1,620,957	1,620,957
Total revenues	<u>171,369,576</u>	<u>109,260,548</u>	<u>280,630,124</u>	<u>172,749,845</u>	<u>114,526,347</u>	<u>287,276,192</u>
Expenses:						
General government	9,274,700		9,274,700	12,632,933		12,632,933
Operations	20,309,768		20,309,768	19,918,024		19,918,024
Plants and maintenance	49,002,317		49,002,317	49,634,121		49,634,121
Interest on long-term debt	23,827,057		23,827,057	30,987,059		30,987,059
Water		60,552,012	60,552,012		73,551,706	73,551,706
Hydroelectricity		289,595	289,595		2,037,099	2,037,099
Total expenses	<u>102,413,842</u>	<u>60,841,607</u>	<u>163,255,449</u>	<u>113,172,137</u>	<u>75,588,805</u>	<u>188,760,942</u>
Excess of Revenues over Expenditures before Transfers	68,955,734	48,418,941	117,374,675	59,577,708	38,937,542	98,515,250
Transfers	-		-	(21,803,894)	21,803,894	-
Net Change in Net Position	68,955,734	48,418,941	117,374,675	37,773,814	60,741,436	98,515,250
Net Position at Beginning of Year	<u>792,616,608</u>	<u>151,044,879</u>	<u>943,661,487</u>	<u>754,842,794</u>	<u>90,303,443</u>	<u>845,146,237</u>
Net Position at End of Year	<u>\$ 861,572,342</u>	<u>\$ 199,463,820</u>	<u>\$ 1,061,036,162</u>	<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>

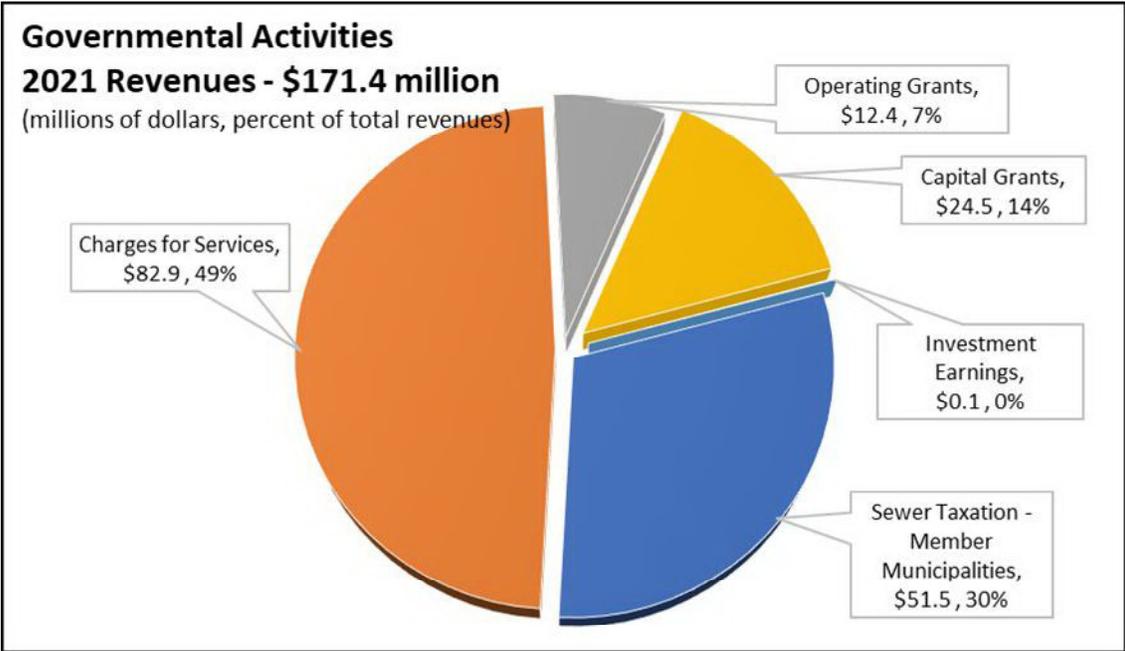
See the Statement of Activities (page 18) for more detailed information.

Governmental Activities

Revenues - decreasing by \$1.3 million or 0.8% from \$172.7 million to \$171.4 million:

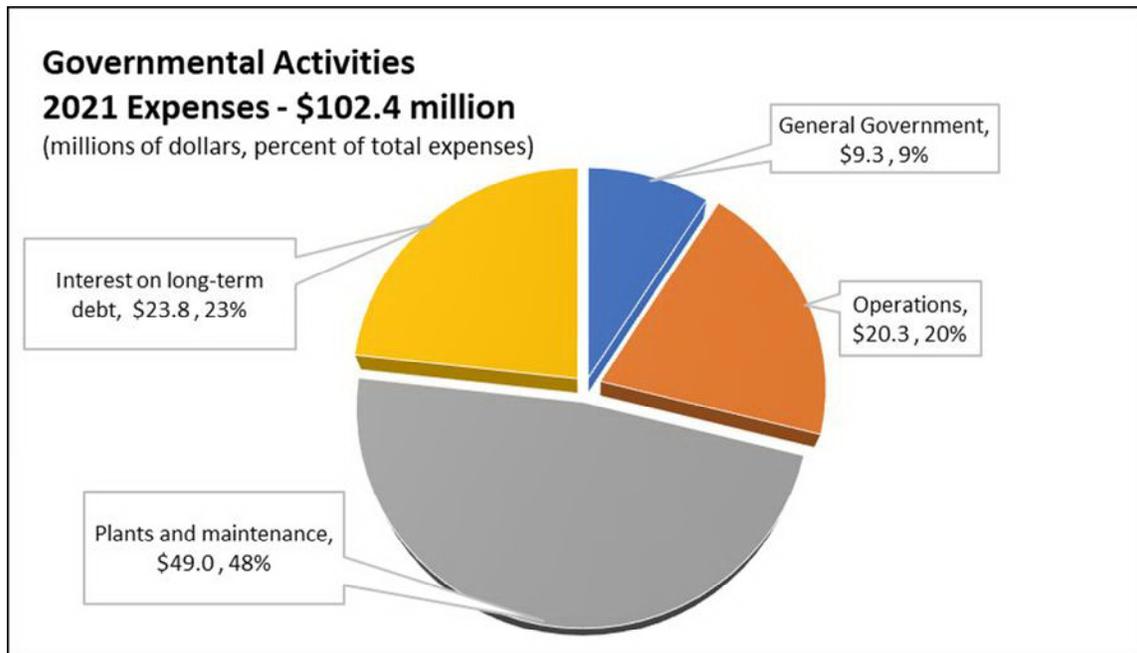
- Operating and capital grants increased by \$3.4 million, due to \$2.3 million of new grant receipts for the Hartford water pollution control facility (WPCF) and an additional \$1.1 million received for multiple Clean Water projects, offset by:
- A decrease of \$3.8 million for Charges for Services due primarily to a \$3.6 million or 5.7% decrease in the Clean Water Project (CWP) charge revenue. The CWP rate remained unchanged year-over-year and the water consumption decreased by 5.0%. The difference between the two percentage decreases are due refunds that reduce revenue but not the billed consumption numbers.
- A decrease of \$0.9 million for Unrestricted investment earnings due to lower average daily interest rates and average daily balances in 2021, as follows: in 2020 an average daily interest rate of 0.72% on an average daily balance of \$142.8 million versus a 2021 average daily interest rate of 0.10% on an average daily balance of \$130.8 million.

- Taxes levied on member towns represent 30.0% of the total governmental activity revenues. Those taxes were unchanged from the prior year.



Expenses – decreased \$10.8 million or 9.5% from \$113.2 million to \$102.4 million:

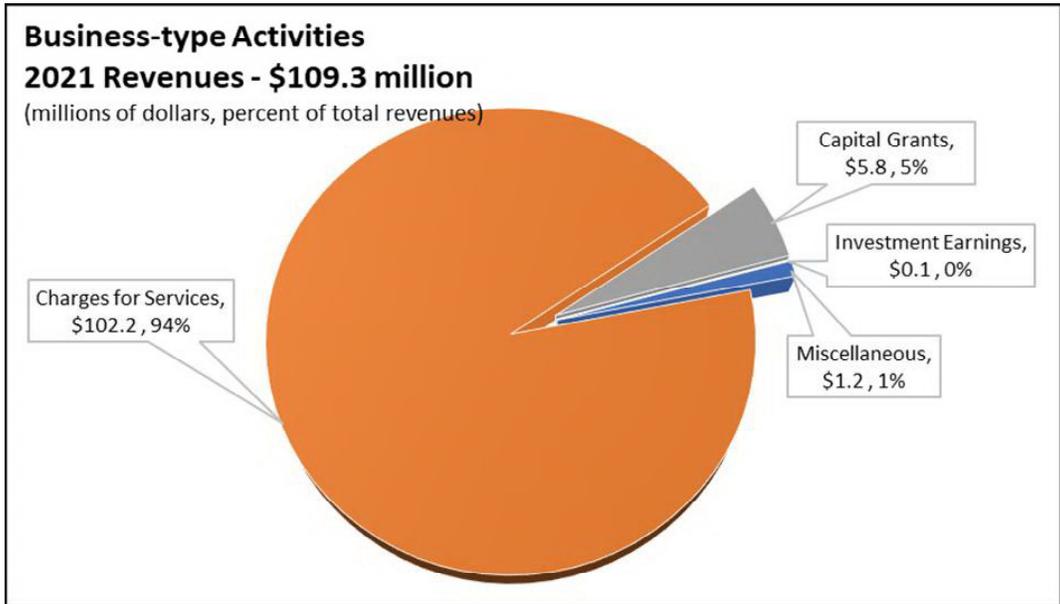
- Interest on long-term debt decreased by \$7.2 million in 2021, due primarily to the accounting change of amortizing bond discounts and premiums from the Straight-line to the Effective Interest method.
- General Government decreased \$3.3 million due to a \$3.7M decrease in Other Post-Employment Benefits obligations offset by a \$0.4M increase in net other expenses.
- Miscellaneous other expenditures decreased by \$0.3 million



Business-Type Activities

Revenues - decreased by \$5.3 million or 4.6% from \$114.6 million to \$109.3 million:

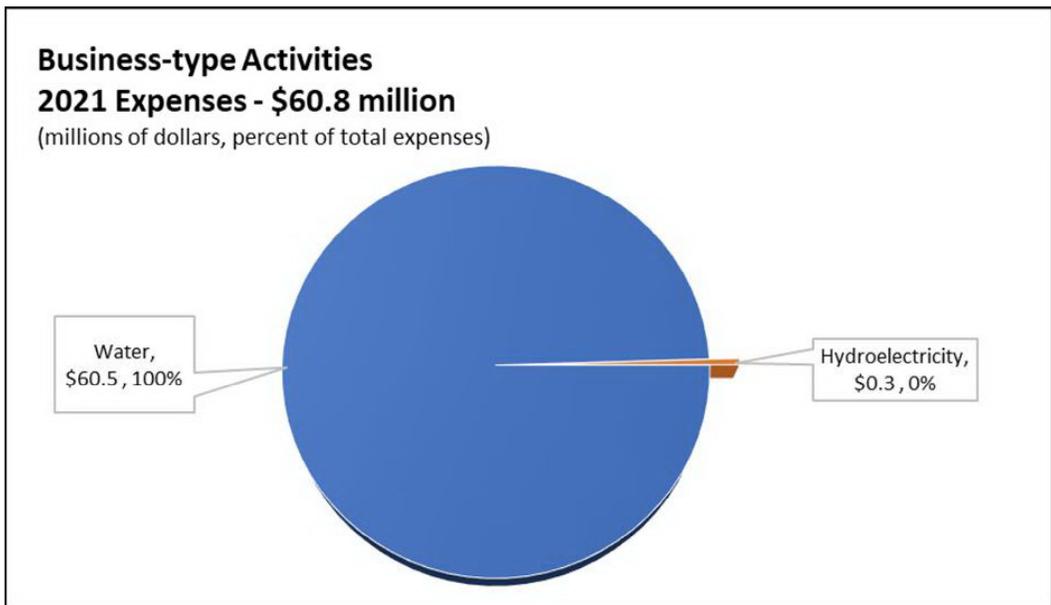
- Charges for services decreased \$4.0 million or 3.7% due to a \$4.1 million decrease in water sales which was offset by a \$0.1 million increase in net other revenues. Lower consumption drove the decrease even with a 2.0% water rate increase in 2021.
- Capital grants decreased \$0.8 million or 12.4% due to a \$1.5 million decrease in developers' installed capital assets offset by a \$0.7 million net increase of Department of Public Health - Drinking Water State Revolving Fund grants and water assessment revenue.
- Miscellaneous revenue decreased by \$0.5 million or 29.1% due to a \$0.7 million prior year one-time adjustment booked against net pension and OPEB liabilities and a \$0.2 million increase in net other revenue.
- Investment earnings remained flat.



Expenses – decreased \$14.7 million or 19.5% from \$75.5 million to \$60.8 million:

- Water expenses decreased by \$13.0 million or 17.7%, due to:
 - \$6.1 million total decrease due to a 2021 refinancing and change in accounting method of amortizing bond premiums and discounts,
 - \$5.6 million decrease to net Pension and Other Post-Employment Benefits obligations,
 - \$1.0 million decrease in labor litigations, and
 - \$0.3 million decrease in other expenses.

- Hydroelectricity expenses decreased by \$1.7 million or 85.8%, due to:
 - \$1.6 million decrease due to the decommissioning of the Colebrook Hydro facility, and
 - \$0.1 million decrease in miscellaneous other expenses.



Fund Financial Statement Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is an analysis of the District's major governmental and proprietary funds. The financial statements of governmental funds show more detail than governmental activities in the government-wide statements, and focus on near-term inflows, outflows, and ending 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. The statements of proprietary funds show detail for each enterprise included in business-type activities, with the same focus used in government-wide reporting.

Governmental Funds. As of the end of 2021, the District's governmental funds reported a combined ending fund balance of \$137.5 million, an increase of \$68.6 million over the prior year. This combined fund balance is comprised of \$102.6 million *Committed* for future debt service expenditures in the Clean Water Project and Capital Project funds, \$25.6 million is *Unassigned* in the General Fund, \$5.2 million is *Restricted* in the Debt Service Fund and \$4.1 million is *Non-spendable* for inventory and prepaid items in the General Fund.

The General Fund is the wastewater (sewer) operating fund for the District. At the end of 2021, the General Fund total fund balance was \$29.7 million, of which \$25.6 million is unassigned and spendable and \$4.1 million is nonspendable supplies and prepaid assets. This represents a fund balance decrease of \$5.9 million or 16.5% over the prior year due primarily to a \$3.8 million recognition of deferred inflow of resources and a 2021 budgeted use of fund balance. The \$3.8 million is comprised of a 2020 \$3.4 million restatement detailed on page 67 of this report and a 2021 \$0.4 million recognition of deferred inflow of resources for unavailable sewer user fees.

The Debt Service Fund's restricted fund balance of \$5.2 million is due to budgeted transfers from other funds greater than actual debt service paid during the year. This balance will be eliminated in 2022 and 2023 as the budgeted transfers from other funds will be reduced to amounts less than anticipated debt service payments in those years.

The Clean Water Project Fund committed fund balance of \$70.7 million decreased by \$4.4 million or 5.9% over the prior year due primarily to a \$7.0 million recognition of deferred inflows of resources offset by a \$2.6 million reduction in accounts payable and advances liabilities. The \$7.0 million is comprised of a 2020 \$10.1 million restatement detailed on page 67 of this report and a 2021 reduction of \$3.1 million of deferred inflow of resources.

The Capital Project Fund committed fund balance of \$31.9 million represents a \$63.0 million increase over the prior year due primarily to the permanent financing of a 2020 bond anticipation note (BAN) in 2021.

Proprietary Funds. The total net position for the Water Utility and Hydroelectric Development funds Fund at the end of 2021 was \$199.5 million, a \$48.4 million or 32.1% increase over the prior year. This increase was driven by a \$16.4 million net increase in assets, an \$8.8 million adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise funds, and a net \$23.2 million in reduced liabilities.

The \$16.4 million increase in assets was due to a \$31.2 million increase in capital assets offset by a \$14.8 million decrease in current assets. The \$23.2 million net decrease in liabilities was due to a \$10.6 million net reduction in current and non-current liabilities due primarily to a reduction in net pension liability, and a net reduction of \$12.6 million in deferred liabilities due to OPEB reductions.

General Fund Budgetary Highlights

During the 2021 budget year, expenditures exceeded revenues by \$1.1 million. Total revenues and other financing sources were below budget by \$7.1 million or 7.3% which were offset by expenditures being \$6.0 million or 6.2% less than budget.

The District's revenue budget included a \$3.8 million use of fund balance (surplus), comprised of:

- A transfers-in revenue item of \$2.0 million to cover the groundwater remediation receivable which was offset by a \$2.0 million contingency expenditure line item designed to have no budget impact. The receipt of this payment would have reduced the member town's ad valorem billing during 2021 for the amount received. However, no payment was received by the District for this receivable during the calendar year.
- An additional \$1.8 million was a budgeted use of fund balance, of which only \$1.1 million was required due to expenditures exceeding revenues by this amount in 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$2.7 billion in capital assets, as summarized in the following table. This represents a net increase (including additions, deductions, and depreciation) of \$97.6 million or 3.7%, from the prior year. Governmental capital assets increased \$66.4 million, primarily for projects' construction-in-progress and the Business-type capital assets increased \$31.2 million due to a \$19.5 million increase in infrastructure, \$10.1 million increase in machinery and equipment, and a net \$1.6 million increase in miscellaneous other assets. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and sewer and water pipes.

**Capital Assets (net of depreciation)
As of December 31st**

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 10,326,860	\$ 10,847,885	\$ 21,174,745	\$ 10,326,860	\$ 10,181,885	\$ 20,508,745
Buildings	294,342,724	96,902,760	391,245,484	304,080,806	97,312,229	401,393,035
Machinery and equipment	47,208,059	29,292,977	76,501,036	39,801,499	19,233,613	59,035,112
Infrastructure	700,290,027	334,027,972	1,034,317,999	678,162,111	314,513,265	992,675,376
Construction in progress	985,127,893	209,011,560	1,194,139,453	938,535,362	207,660,860	1,146,196,222
Total	\$ 2,037,295,563	\$ 680,083,154	\$ 2,717,378,717	\$ 1,970,906,638	\$ 648,901,852	\$ 2,619,808,490

Additional information on the District's capital assets can be found in Note 3D on pages 39-42 of this report.

Long-Term Debt

At the end of 2021, the District had \$1.8 billion in outstanding debt driven primarily by \$1.1 billion in general obligation and revenue bonded debt. The general obligation bonds are backed by a full faith and credit pledge of the District's member towns and the revenue bonds are backed by a special sewer service surcharge (a.k.a. Clean Water Project Charge). An additional \$0.5 billion of Clean Water and Drinking Water loans and \$0.2 billion of other miscellaneous debt driven primarily by pension and OPEB net liability make up the balance of the outstanding debt.

**Outstanding Debt
As of December 31st**

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General obligation/ Revenue bonds	\$ 736,192,628	\$ 319,358,871	\$ 1,055,551,499	\$ 621,770,522	\$ 275,046,438	\$ 896,816,960
Clean/drinking water loans	435,416,291	56,789,941	492,206,232	476,391,446	49,861,600	526,253,046
Compensated absences	2,734,721	3,600,622	6,335,343	2,857,592	3,592,441	6,450,033
Claims and judgments		6,391,325	6,391,325		6,283,811	6,283,811
Settlement liability					5,814,247	5,814,247
Net pension liability	18,129,351	24,557,350	42,686,701	24,280,899	33,076,313	57,357,212
OPEB obligation	75,508,036	102,280,404	177,788,440	73,346,571	99,915,333	173,261,904
Total	\$ 1,267,981,027	\$ 512,978,513	\$ 1,780,959,540	\$ 1,198,647,030	\$ 473,590,183	\$ 1,672,237,213

In October of 2021, in connection with its upcoming bond sale in November, the District affirmed both its rating and outlook with Moody's Investors Service and S&P Global Ratings. Those ratings are Aa2/Aa3 from Moody's and AA-/AA from S&P Global Ratings, for the MDC's revenue and general obligation bonds, respectively. Each with a stable outlook.

The District's Charter limits the amount of general obligation debt it may issue to 5% of the combined Grand List of its member towns. The current debt limitation for the District is \$1.4 billion of which the District has \$0.8 billion outstanding leaving an available balance of \$0.6 billion.

Additional information on the District's long-term debt can be found in Note 3F on pages 43-51 of this report.

Economic Factors

- The District strives to minimize the increases in ad valorem taxes that it levies on its member municipalities by identifying structural efficiencies and pursuing cost reduction activities within its organization to minimize expenditures.
- Inflationary trends in the region have had a negative budgetary impact on General Fund expenditures, particularly in energy and supply expenditures.
- Water consumption continues to decline due to decreased use by both residential and commercial customers.

All of these factors were considered in preparing the District's 2022 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.

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BASIC FINANCIAL STATEMENTS

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**THE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 133,626,032	\$ 90,491,703	\$ 224,117,735
Receivables, net of allowance for uncollectibles	39,696,839	17,324,189	57,021,028
Due to fiduciary funds	18,602	22,736	41,338
Supplies	3,457,138	3,684,274	7,141,412
Prepaid items	662,737	1,165,581	1,828,318
Capital assets, nondepreciable	995,454,753	219,859,445	1,215,314,198
Capital assets, net of accumulated depreciation	<u>1,041,840,810</u>	<u>460,223,709</u>	<u>1,502,064,519</u>
Total assets	<u>2,214,756,911</u>	<u>792,771,637</u>	<u>3,007,528,548</u>
Deferred Outflows of Resources:			
Deferred outflows - pension	9,461,798	12,816,604	22,278,402
Deferred outflows - OPEB	12,224,330	16,564,723	28,789,053
Deferred charge on refunding	<u>1,354,646</u>	<u>720,634</u>	<u>2,075,280</u>
Total deferred outflows of resources	<u>23,040,774</u>	<u>30,101,961</u>	<u>53,142,735</u>
Liabilities:			
Accounts payable and accrued items	34,056,993	13,828,265	47,885,258
Customer advances for construction	690,351	732,255	1,422,606
Noncurrent liabilities:			
Due within one year	88,385,713	28,578,116	116,963,829
Due in more than one year	<u>1,179,595,314</u>	<u>484,400,397</u>	<u>1,663,995,711</u>
Total liabilities	<u>1,302,728,370</u>	<u>527,539,033</u>	<u>1,830,267,403</u>
Deferred Inflows of Resources:			
Deferred inflows - pension	12,140,806	16,445,488	28,586,294
Deferred inflows - OPEB	57,176,446	77,455,203	134,631,649
Deferred charge on refunding	<u>4,179,721</u>	<u>1,970,054</u>	<u>6,149,775</u>
Total deferred inflows of resources	<u>73,496,973</u>	<u>95,870,745</u>	<u>169,367,718</u>
Net Position:			
Net investment in capital assets	884,236,060	307,558,127	1,191,794,187
Restricted for:			
Debt service	5,200,545		5,200,545
Unrestricted	<u>(27,864,263)</u>	<u>(108,094,307)</u>	<u>(135,958,570)</u>
Total Net Position	<u>\$ 861,572,342</u>	<u>\$ 199,463,820</u>	<u>\$ 1,061,036,162</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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	\$ 9,274,700	\$	\$ 10,178,011	\$	\$ 903,311	\$ 903,311
Operations	20,309,768	77,362,758		57,052,990		57,052,990
Plants and maintenance	49,002,317	5,527,042	2,228,358	24,472,158	(16,774,759)	(16,774,759)
Interest on long-term debt	23,827,057			(23,827,057)		(23,827,057)
Total governmental activities	<u>102,413,842</u>	<u>82,889,800</u>	<u>12,406,369</u>	<u>24,472,158</u>	<u>17,354,485</u>	<u>-</u>
Business-type activities:						
Water	60,552,012	101,274,782		5,828,453		46,551,223
Hydroelectricity	289,595	941,491				651,896
Total business-type activities	<u>60,841,607</u>	<u>102,216,273</u>	<u>-</u>	<u>5,828,453</u>	<u>-</u>	<u>47,203,119</u>
Total	<u>\$ 163,255,449</u>	<u>\$ 185,106,073</u>	<u>\$ 12,406,369</u>	<u>\$ 30,300,611</u>	<u>17,354,485</u>	<u>47,203,119</u>
General revenues:						
Sewer taxation - member municipalities				51,475,700		51,475,700
Miscellaneous					1,149,683	1,149,683
Unrestricted investment earnings				125,549	66,139	191,688
Total general revenues and transfers				<u>51,601,249</u>	<u>1,215,822</u>	<u>52,817,071</u>
Change in Net Position				68,955,734	48,418,941	117,374,675
Net Position at Beginning of Year				792,616,608	151,044,879	943,661,487
Net Position at End of Year				<u>\$ 861,572,342</u>	<u>\$ 199,463,820</u>	<u>\$ 1,061,036,162</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<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	\$ 26,945,085	\$ 5,200,545	\$ 71,677,608	\$ 29,802,794	\$ 133,626,032
Receivables, net of allowance for uncollectibles	5,443,211		21,043,708	13,209,920	39,696,839
Due from other funds	18,602				18,602
Supplies	3,457,138				3,457,138
Prepaid items	<u>662,737</u>				<u>662,737</u>
Total Assets	<u>\$ 36,526,773</u>	<u>\$ 5,200,545</u>	<u>\$ 92,721,316</u>	<u>\$ 43,012,714</u>	<u>\$ 177,461,348</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued items	\$ 2,299,046		\$ 14,984,606	\$ 9,086,425	\$ 26,370,077
Customer advances for construction	<u>690,351</u>				<u>690,351</u>
Total liabilities	<u>2,989,397</u>	<u>-</u>	<u>14,984,606</u>	<u>9,086,425</u>	<u>27,060,428</u>
Deferred inflows of resources:					
Unavailable revenue - special assessments				2,064,885	2,064,885
Unavailable revenue - sewer user fees	3,827,551		6,741,200		10,568,751
Unavailable revenue - grants			<u>249,692</u>		<u>249,692</u>
Total deferred inflows of resources	<u>3,827,551</u>	<u>-</u>	<u>6,990,892</u>	<u>2,064,885</u>	<u>12,883,328</u>
Fund balances:					
Nonspendable	4,119,875				4,119,875
Restricted		5,200,545			5,200,545
Committed			70,745,818	31,861,404	102,607,222
Unassigned	<u>25,589,950</u>				<u>25,589,950</u>
Total fund balances	<u>29,709,825</u>	<u>5,200,545</u>	<u>70,745,818</u>	<u>31,861,404</u>	<u>137,517,592</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 36,526,773</u>	<u>\$ 5,200,545</u>	<u>\$ 92,721,316</u>	<u>\$ 43,012,714</u>	<u>\$ 177,461,348</u>

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2021

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 17) are
different because of the following:

Fund balances - total governmental funds (page 19)	\$ 137,517,592
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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	\$ 2,491,845,844	
Less accumulated depreciation	<u>(454,550,281)</u>	
Net capital assets		2,037,295,563

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	2,064,885
Sewer use receivables	10,568,751
Grant receivables	249,692
Deferred outflows related to refunding	1,354,646
Deferred outflows related to pension	9,461,798
Deferred outflows related to OPEB	12,224,330

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	(664,454,664)
Premiums	(71,737,964)
Notes payable	(435,416,291)
Interest payable on long-term debt	(7,686,915)
Compensated absences	(2,734,721)
Net pension liability	(18,129,351)
Deferred inflows related to pension	(12,140,806)
Deferred inflows related to OPEB	(57,176,446)
Deferred inflows related to refunding	(4,179,721)
Net OPEB liability	<u>(75,508,036)</u>

Net Position of Governmental Activities (page 17)	<u>\$ 861,572,342</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, 2021**

	<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	\$ 51,475,700	\$	\$	\$	\$ 51,475,700
Assessments				3,257,067	3,257,067
Sewer user fees	17,322,000		60,040,758		77,362,758
Intergovernmental revenues	10,178,011		27,150,902	2,228,358	39,557,271
Investment income	30,581		94,968		125,549
Other local revenues	<u>2,742,962</u>		<u>7,550</u>		<u>2,750,512</u>
Total revenues	<u>81,749,254</u>	<u>-</u>	<u>87,294,178</u>	<u>5,485,425</u>	<u>174,528,857</u>
Expenditures:					
Current:					
General government	5,002,410				5,002,410
Operations	4,463,088				4,463,088
Plants and maintenance	20,753,614				20,753,614
Employee benefits and other	18,298,717				18,298,717
Debt service:					
Principal retirement		58,903,168			58,903,168
Interest	223,958	32,391,105	1,701,304		34,316,367
Capital outlay			<u>67,027,340</u>	<u>42,972,210</u>	<u>109,999,550</u>
Total expenditures	<u>48,741,787</u>	<u>91,294,273</u>	<u>68,728,644</u>	<u>42,972,210</u>	<u>251,736,914</u>
Excess (Deficiency) of Revenues over Expenditures	<u>33,007,467</u>	<u>(91,294,273)</u>	<u>18,565,534</u>	<u>(37,486,785)</u>	<u>(77,208,057)</u>
Other Financing Sources (Uses):					
Issuance of bonds			201,440,000	74,356,690	275,796,690
Premiums on issuance of bonds			13,533,461	17,253,653	30,787,114
Issuance of refunding bonds		6,183,180			6,183,180
Premiums on issuance of refunding bonds		1,322,898			1,322,898
Payment for refunding clean water loan escrow agent			(200,711,137)		(200,711,137)
Payment to refunded bond escrow agent		(7,458,978)			(7,458,978)
Clean Water Fund loans issued			31,000,267	8,913,433	39,913,700
Transfers in	531,209	93,702,844			94,234,053
Transfers out	<u>(36,035,881)</u>		<u>(58,198,172)</u>		<u>(94,234,053)</u>
Total other financing sources (uses)	<u>(35,504,672)</u>	<u>93,749,944</u>	<u>(12,935,581)</u>	<u>100,523,776</u>	<u>145,833,467</u>
Net Change in Fund Balances	(2,497,205)	2,455,671	5,629,953	63,036,991	68,625,410
Fund Balances at Beginning of Year, as restated	<u>32,207,030</u>	<u>2,744,874</u>	<u>65,115,865</u>	<u>(31,175,587)</u>	<u>68,892,182</u>
Fund Balances at End of Year	<u>\$ 29,709,825</u>	<u>\$ 5,200,545</u>	<u>\$ 70,745,818</u>	<u>\$ 31,861,404</u>	<u>\$ 137,517,592</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, 2021**

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 18) are different because of the following:

Net change in fund balances - total governmental funds (page 21)	\$ 68,625,410
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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	100,222,938
Depreciation expense	(33,646,875)

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.

	(187,138)
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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	(548,996)
Sewer use revenue	68,459
Grant revenue	(2,678,744)
Change in deferred outflows related to pension	(1,342,921)
Change in deferred outflows related to OPEB	(7,589,992)

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	(39,913,700)
Proceeds from issuance of bonds	(275,796,690)
Premiums on issuance of bonds	(30,787,114)
Proceeds from issuance of refunding bonds	(6,183,180)
Premiums on issuance of refunding bonds	(1,322,898)
Bond payments	170,916,188
Amortization of bond premium	28,751,588
Amortization of deferred charge on refunding	(3,046,050)
Clean Water Fund loan payments	80,888,855
Change in accrued interest	52,013

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	122,871
Change in net pension liability	6,151,548
Change in deferred inflows related to pension	(3,461,878)
Change in deferred inflows related to OPEB	21,823,505
Change in net OPEB liability	(2,161,465)

Change in Net Position of Governmental Activities (page 18)	<u>\$ 68,955,734</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, 2021

	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	\$ 67,069,629	\$ 3,508,138	\$ 70,577,767	\$ 19,913,936
Accounts receivable, net of allowance for uncollectibles	17,221,071	103,118	17,324,189	
Due from other funds	22,736		22,736	
Supplies	3,447,384	236,890	3,684,274	
Prepaid items	1,165,581		1,165,581	
Total current assets	<u>88,926,401</u>	<u>3,848,146</u>	<u>92,774,547</u>	<u>19,913,936</u>
Noncurrent assets:				
Capital assets, nondepreciable	219,765,459	93,986	219,859,445	
Capital assets, net of accumulated depreciation	455,816,733	4,406,976	460,223,709	
Total noncurrent assets	<u>675,582,192</u>	<u>4,500,962</u>	<u>680,083,154</u>	<u>-</u>
Total assets	<u>764,508,593</u>	<u>8,349,108</u>	<u>772,857,701</u>	<u>19,913,936</u>
Deferred Outflows of Resources:				
Deferred outflows - pension	12,816,604		12,816,604	
Deferred outflows - OPEB	16,564,723		16,564,723	
Deferred charge on refunding	720,634		720,634	
Total deferred outflows of resources	<u>30,101,961</u>	<u>-</u>	<u>30,101,961</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	13,713,495	71,209	13,784,704	43,561
Customer advances for construction	732,255		732,255	
Current portion of claims incurred but not reported			-	750,859
Current portion of compensated absences	3,047,198		3,047,198	
Current portion of bonds and loans payable	24,780,059		24,780,059	
Total current liabilities	<u>42,273,007</u>	<u>71,209</u>	<u>42,344,216</u>	<u>794,420</u>
Noncurrent liabilities:				
Compensated absences	553,424		553,424	
Bonds and loans payable after one year	351,368,753		351,368,753	
Claims incurred but not reported			-	5,640,466
Net pension liability	24,557,350		24,557,350	
Net OPEB liability	102,280,404		102,280,404	
Total noncurrent liabilities	<u>478,759,931</u>	<u>-</u>	<u>478,759,931</u>	<u>5,640,466</u>
Total liabilities	<u>521,032,938</u>	<u>71,209</u>	<u>521,104,147</u>	<u>6,434,886</u>
Deferred Inflows of Resources:				
Deferred inflows - pension	16,445,488		16,445,488	
Deferred inflows - OPEB	77,455,203		77,455,203	
Deferred charge on refunding	1,970,054		1,970,054	
Total deferred inflows of resources	<u>95,870,745</u>	<u>-</u>	<u>95,870,745</u>	<u>-</u>
Net Position:				
Net investment in capital assets	303,151,151	4,406,976	307,558,127	
Unrestricted	(125,444,280)	3,870,923	(121,573,357)	13,479,050
Total Net Position	<u>\$ 177,706,871</u>	<u>\$ 8,277,899</u>	<u>185,984,770</u>	<u>\$ 13,479,050</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			13,479,050	
Net Position of Business-Type Activities			<u>\$ 199,463,820</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, 2021**

	Business-Type Activities - Enterprise Funds			Business- Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project		
Operating Revenues:				
Water sales	\$ 93,404,849	\$	\$ 93,404,849	\$
Energy sales		941,491	941,491	
Operating contributions			-	24,633,503
Other operating	7,869,933		7,869,933	
Total operating revenues	<u>101,274,782</u>	<u>941,491</u>	<u>102,216,273</u>	<u>24,633,503</u>
Operating Expenses:				
General government	9,853,683		9,853,683	
Operations	13,174,785		13,174,785	15,839,850
Plants and maintenance	16,558,561		16,558,561	
Employee benefits and other	7,588,093		7,588,093	
Source of supply		156,663	156,663	
Depreciation expense	16,233,389	132,932	16,366,321	
Total operating expenses	<u>63,408,511</u>	<u>289,595</u>	<u>63,698,106</u>	<u>15,839,850</u>
Operating Income (Loss)	<u>37,866,271</u>	<u>651,896</u>	<u>38,518,167</u>	<u>8,793,653</u>
Nonoperating Revenues (Expenses):				
Investment income	66,139		66,139	
Miscellaneous revenue	1,149,683		1,149,683	
Gain (loss) on disposal of assets	(713,528)		(713,528)	
Interest and fiscal charges	(5,223,626)		(5,223,626)	
Net nonoperating revenues (expenses)	<u>(4,721,332)</u>	<u>-</u>	<u>(4,721,332)</u>	<u>-</u>
Income (Loss) Before Capital Grants, Capital Contributions and Transfers	33,144,939	651,896	33,796,835	8,793,653
Capital grants	1,723,116		1,723,116	
Capital contributions	4,105,337		4,105,337	
Change in Net Position	38,973,392	651,896	39,625,288	8,793,653
Net Position at Beginning of Year	<u>138,733,479</u>	<u>7,626,003</u>		<u>4,685,397</u>
Net Position at End of Year	\$ <u>177,706,871</u>	\$ <u>8,277,899</u>		\$ <u>13,479,050</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			<u>8,793,653</u>	
Change in Net Position of Business-Type Activities			\$ <u>48,418,941</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, 2021**

	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	\$ 97,125,410	\$ 906,896	\$ 98,032,306	\$ 24,716,844
Payments to suppliers	(38,651,270)	(129,257)	(38,780,527)	(16,816,232)
Payments to employees	(26,943,400)	-	(26,943,400)	
Net cash provided by (used in) operating activities	<u>31,530,740</u>	<u>777,639</u>	<u>32,308,379</u>	<u>7,900,612</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets/utility plant	(44,061,829)	(93,986)	(44,155,815)	
Proceeds from bonds	56,453,310		56,453,310	
Proceeds from bond premiums	13,049,932		13,049,932	
Proceeds from drinking water loans	10,399,594		10,399,594	
Proceeds from refunding bonds	9,051,820		9,051,820	
Proceeds from refunding bond premiums	1,936,495		1,936,495	
Payments to escrow agent	(10,918,666)		(10,918,666)	
Proceeds from capital grant	1,723,116		1,723,116	
Principal payments on bonds	(17,140,146)		(17,140,146)	
Principal payments on bond anticipation notes	(50,188,787)		(50,188,787)	
Principal payments on drinking water loans	(3,471,253)		(3,471,253)	
Interest payments on bonds and notes	(12,708,219)		(12,708,219)	
Net cash provided by (used in) capital and related financing activities	<u>(45,874,633)</u>	<u>(93,986)</u>	<u>(45,968,619)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on investments	66,139		66,139	
Net Increase (Decrease) in Cash and Cash Equivalents	(14,277,754)	683,653	(13,594,101)	7,900,612
Cash and Cash Equivalents at Beginning of Year	81,347,383	2,824,485	84,171,868	12,013,324
Cash and Cash Equivalents at End of Year	<u>\$ 67,069,629</u>	<u>\$ 3,508,138</u>	<u>\$ 70,577,767</u>	<u>\$ 19,913,936</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Operating income	\$ 37,866,271	\$ 651,896	\$ 38,518,167	\$ 8,793,653
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	16,233,389	132,932	16,366,321	
Miscellaneous nonoperating revenue (expense)	1,149,683		1,149,683	
Change in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in accounts receivable	1,596,787	(34,595)	1,562,192	83,341
(Increase) decrease in due from other funds	47,260		47,260	
(Increase) decrease in supplies	(522,339)		(522,339)	
(Increase) decrease in prepaid items	81,918		81,918	
(Increase) decrease in deferred outflows of resources related to pensions	1,901,973		1,901,973	
(Increase) decrease in deferred outflows of resources related to OPEB	10,439,320		10,439,320	
Increase (decrease) in accounts payable and accrued expenses	226,497	27,406	253,903	(1,083,896)
Increase (decrease) in customer advances for construction	20,828		20,828	
Increase (decrease) in claims and judgements	(5,814,247)		(5,814,247)	
Increase (decrease) in compensated absences	8,181		8,181	
Increase (decrease) in net OPEB liability	2,365,071		2,365,071	
Increase (decrease) in net pension liability	(8,518,963)		(8,518,963)	
Increase (decrease) in claims payable			-	107,514
Increase (decrease) in deferred inflows of resources related to pensions	4,622,741		4,622,741	
Increase (decrease) in deferred inflows of resources related to OPEB	(30,173,630)		(30,173,630)	
Total adjustments	<u>(6,335,531)</u>	<u>125,743</u>	<u>(6,209,788)</u>	<u>(893,041)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 31,530,740</u>	<u>\$ 777,639</u>	<u>\$ 32,308,379</u>	<u>\$ 7,900,612</u>
Noncash Investing, Capital and Financing Activities:				
Capital assets contributed by Developers	\$ 4,105,337	\$ -	\$ 4,105,337	\$ -

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021**

	Pension and Other Employee Benefit Trust Funds
ASSETS	
Cash and cash equivalents	\$ 16,263,277
Accounts receivable	121,710
Investments, at fair value:	
Mutual funds	32,550,920
Guaranteed investment contracts	20,235,638
Land	7,524,349
Commingled collective trusts	198,656,130
Real estate	19,825,932
Total assets	<u>295,177,956</u>
LIABILITIES	
Due to other funds	<u>41,338</u>
Total liabilities	<u>41,338</u>
NET POSITION	
Restricted for pension benefits	279,203,551
Restricted for OPEB benefits	15,933,067
Total Net Position	<u>\$ 295,136,618</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, 2021**

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 19,582,400
Plan members	2,896,530
Total contributions	<u>22,478,930</u>
Investment income (loss):	
Net change in fair value of investments	32,785,373
Interest and dividends	3,228,226
	<u>36,013,599</u>
Less investment expenses:	
Investment management fees	1,503,397
Net investment income (loss)	<u>34,510,202</u>
Total additions	<u>56,989,132</u>
Deductions:	
Benefits	24,151,834
Administrative expense	165,126
Total deductions	<u>24,316,960</u>
Change in Net Position	32,672,172
Net Position at Beginning of Year	<u>262,464,446</u>
Net Position at End of Year	<u>\$ 295,136,618</u>

The accompanying notes are an integral part of the financial statements

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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. These criteria have been considered and have resulted in the inclusion of the fiduciary component units as detailed below.

Fiduciary Component Units

The Pension and Other Post-Employment Benefits (OPEB) plans were established to provide retirement benefits and post retirement health care benefits primarily to employees and their beneficiaries.

The financial statements of the fiduciary component units are presented using the accrual basis of accounting and are reported as Pension and OPEB Trust Funds in the fiduciary fund financial statements. Separate financial statements have not been prepared for the fiduciary component units.

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.

THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, including fiduciary component units, 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.

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. Supplies and Prepaid Items

All supplies are valued at cost. Supplies in the governmental and enterprise funds is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

F. Receivables and Payables

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

All receivables are presented net of an allowance for uncollectibles.

G. Compensated Absences

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

H. Capital Assets

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

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

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

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

I. Deferred Outflows of Resources

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Restricted Net Position

This category represents amounts restricted to use by outside parties.

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. 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, 2021, 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**

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). STIF is an investment pool of high-quality, short-term money market instruments with an average maturity of less than 60 days. 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. There were no limitations or restrictions on any withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

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, \$24,364,149 of the District's bank balance of \$24,614,149 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 21,902,734
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>2,461,415</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 24,364,149</u>

Cash Equivalents

At December 31, 2021, the District's cash equivalents amounted to \$216,140,600. 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
US Bank	*
*Not Rated	

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, 2021:

	<u>December 31, 2021</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	\$ 32,550,920	\$ 32,550,920	\$	\$
Guaranteed investment contracts	20,235,638		3,416,502	16,819,136
Real Estate	<u>7,524,349</u>			<u>7,524,349</u>
Total investments by fair value level	<u>60,310,907</u>	<u>\$ 32,550,920</u>	<u>\$ 3,416,502</u>	<u>\$ 24,343,485</u>
Investments measured at net asset value (NAV):				
Commingled Collective Trusts	198,656,130			
Timberland Investments	9,746,143			
Cornerstone Real Estate	2,196,818			
Intercontinental U.S. REIF	<u>7,882,971</u>			
Total investments measured at NAV	<u>218,482,062</u>			
Total Investments Measured at Fair Value	<u>\$ 278,792,969</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	\$ 198,656,130	\$	Up to Monthly	Up to 10 Days
Timberland Investments	9,746,143	549,776	Hold to Maturity	Hold to Maturity (15-18 Years Total)
Cornerstone Real Estate	2,196,818	1,336,013	Hold to Maturity	Hold to Maturity (7-9 Years Total)
Intercontinental U.S. REIF	<u>7,882,971</u>		Quarterly	30-60 days
Total Investments Measured at NAV	<u>\$ 218,482,062</u>			

Fixed Income Commingled Funds: The Conning-Goodwin Capital Core Plus Bond CIF invests mostly investment grade corporate bonds and agency MBS. The fund has an average maturity of 8.4 years and average duration of 6.7 years, as of December 31, 2021. This fund does not have a commitment period.

Equity Commingled Funds: Wellington Research Equity and Small Cap 2000 funds are invested in U.S. publicly traded stocks. Research Equity invests in large capitalization companies, while Small Cap 2000 invests in a broad swath of small capitalization companies. Rhumblin S&P 400 Pooled Index mirrors the S&P 400 Index, which are mid-capitalization U.S. publicly traded stocks. Lazard and Johnston are invested in international developed markets stocks. All the above have no commitment period.

Real Estate Funds: The Intercontinental U.S. REIF is an open-ended real estate fund that invests in mostly office and multifamily properties situated primarily in the Western and Eastern U.S., but also with representation in the South and Mid-West. Since the fund is open-ended, there is no commitment period. Cornerstone is a closed-end private REIT with a value-add strategy. Investments are in multi-family, Industrial, office, and retail. The fund maturity is in 2022 and is subject to two one-year extensions. FIA is a closed-end fund that invests in forestland in the Pacific Northwest, the South, and the East U.S. Income is produced through timber sales. This fund must be held to maturity, which could be 15 years.

Timberland Funds: FIA is a closed-end fund that invests in forestland in the Pacific Northwest, the South, and the East U.S. Income is produced through timber sales. This fund must be held to maturity, which could be about 15 years.

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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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, 2021, the District did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the District's name.

B. Receivables

Receivables as of year end for the District's individual major funds, 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	\$ 13,853,332	\$ 12,348,908		\$ 165,347				\$ 26,367,587
Customers and employees	6,184,957			18,390,255				24,575,212
Assessments			1,757,314	788,394				2,545,708
Accrued interest			310,814	182,171				492,985
Intergovernmental		10,607,073	11,141,792					21,748,865
Other	154,304				103,118	1,301,291	121,710	1,680,423
Gross receivables	<u>20,192,593</u>	<u>22,955,981</u>	<u>13,209,920</u>	<u>19,526,167</u>	<u>103,118</u>	<u>1,301,291</u>	<u>121,710</u>	<u>77,410,780</u>
Less allowance for uncollectibles	<u>14,749,382</u>	<u>1,912,273</u>		<u>2,305,096</u>		<u>1,301,291</u>		<u>20,268,042</u>
Net Total Receivables	<u>\$ 5,443,211</u>	<u>\$ 21,043,708</u>	<u>\$ 13,209,920</u>	<u>\$ 17,221,071</u>	<u>\$ 103,118</u>	<u>\$ -</u>	<u>\$ 121,710</u>	<u>\$ 57,142,738</u>

C. Interfund Receivables, Payables and Transfers

During the course of operations, transactions are processed through one fund on behalf of another fund. The General Fund and Water Utility Fund provide working capital advances to/from other funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	OPEB Trust Fund	\$ 18,602
Water Utility	OPEB Trust Fund	22,736

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Interfund transfers are generally used to supplement revenues of other funds. Interfund transfers for the year ended December 31, 2021 were as follows:

	Transfers In		
	General Fund	Debt Service Fund	Total Transfers Out
Transfers out:			
General Fund	\$	\$ 36,035,881	\$ 36,035,881
Clean Water Fund	531,209	57,666,963	58,198,172
Total Transfers In	<u>\$ 531,209</u>	<u>\$ 93,702,844</u>	<u>\$ 94,234,053</u>

D. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,326,860	\$	\$	\$ 10,326,860
Construction in progress	938,535,362	99,412,873	52,820,342	985,127,893
Total capital assets not being depreciated	<u>948,862,222</u>	<u>99,412,873</u>	<u>52,820,342</u>	<u>995,454,753</u>
Capital assets being depreciated:				
Buildings	501,206,751	8,469,729	447,952	509,228,528
Machinery and equipment	64,759,136	11,868,149	1,155,855	75,471,430
Infrastructure	878,401,027	33,292,529	2,423	911,691,133
Total capital assets being depreciated	<u>1,444,366,914</u>	<u>53,630,407</u>	<u>1,606,230</u>	<u>1,496,391,091</u>
Less accumulated depreciation for:				
Buildings	197,125,945	18,207,811	447,952	214,885,804
Machinery and equipment	24,957,637	4,274,451	968,717	28,263,371
Infrastructure	200,238,916	11,164,613	2,423	211,401,106
Total accumulated depreciation	<u>422,322,498</u>	<u>33,646,875</u>	<u>1,419,092</u>	<u>454,550,281</u>
Total capital assets being depreciated, net	<u>1,022,044,416</u>	<u>19,983,532</u>	<u>187,138</u>	<u>1,041,840,810</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,970,906,638</u>	<u>\$ 119,396,405</u>	<u>\$ 53,007,480</u>	<u>\$ 2,037,295,563</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,181,885	\$ 666,000	\$	\$ 10,847,885
Construction in progress	207,660,860	45,848,897	44,498,197	209,011,560
Total capital assets not being depreciated	<u>217,842,745</u>	<u>46,514,897</u>	<u>44,498,197</u>	<u>219,859,445</u>
Capital assets being depreciated:				
Buildings	162,776,276	3,313,732	351,763	165,738,245
Machinery and equipment	35,736,130	12,643,451	767,732	47,611,849
Infrastructure	457,139,840	30,287,269	995,044	486,432,065
Total capital assets being depreciated	<u>655,652,246</u>	<u>46,244,452</u>	<u>2,114,539</u>	<u>699,782,159</u>
Less accumulated depreciation for:				
Buildings	65,464,047	3,723,201	351,763	68,835,485
Machinery and equipment	16,502,517	2,584,087	767,732	18,318,872
Infrastructure	142,626,575	10,059,033	281,515	152,404,093
Total accumulated depreciation	<u>224,593,139</u>	<u>16,366,321</u>	<u>1,401,010</u>	<u>239,558,450</u>
Total capital assets being depreciated, net	<u>431,059,107</u>	<u>29,878,131</u>	<u>713,529</u>	<u>460,223,709</u>
Business-Type Activities Capital Assets, Net	<u>\$ 648,901,852</u>	<u>\$ 76,393,028</u>	<u>\$ 45,211,726</u>	<u>\$ 680,083,154</u>

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

Governmental activities:	
General government	\$ 1,468,537
Operations	11,850,227
Plant and maintenance	<u>20,328,111</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 33,646,875</u>
Business-type activities:	
Water	\$ 16,233,389
Hydroelectricity	<u>132,932</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 16,366,321</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Construction Commitments

The District has active construction projects as of December 31, 2021. At year end, the District's commitments with contractors for governmental activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2015 SHCST Construction - Clean Water II	\$ 40,068,338
2021 Various Sewer Pipe Replacement & Rehabilitation Program	2,552,577
2021 WPC Infrastructure Rehabilitation, Upgrades & Replacements	2,538,011
2017 Hartford WPCF DAFT Upgrade	1,786,589
2018 Sewer Rehabilitation Program	1,315,514
2020 Various Sewer Pipe Replacement & Rehabilitation	866,096
2015 Hartford WPCF DAFT 1&2 (SPB Solids)	790,424
2019 Oakwood Avenue Area Sewer Replacement - Phase 1	763,170
2019 Sewer Rehabilitation Program	537,500
2018 WPC Plant Infrastructure Renewal and Replacement	510,475
2017 Sewer Rehabilitation Program	466,671
2017 WPC Equipment & Facilities Improvements	427,858
2020 Hartford Sewershed Large Diameter Sewer	377,680
Multiple projects < \$75K	377,666
2020 Admin Facilities & Equipment Improvement	345,362
2014 General Purpose Sewer	256,723
2016 WPC Electrical Upgrades	255,180
2017 WPC SCADA Upgrades	169,174
2021 Northern Interceptor Sewer Rehabilitation	163,062
2014 Various Sewer Pipe Replacement & Rehabilitation	157,968
2012 HWPCF Solids Handling & Processing	153,053
2019 WPC Infrastructure, Rehabilitation, Upgrades and Replacements	149,139
2015 General Purpose Sewer	75,822
	<hr/>
Total	\$ <u><u>55,104,052</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>
AWMR -Contract #4	\$ 4,269,790
2021 Wickham Hill Area Water Main Replacement	4,183,188
2021 New Park Avenue Water Main Replacement	2,015,377
Newington Road Water Main Replacement Program	1,915,000
Saybrooke and Bonner St 2018B-17	1,036,094
Webster Hill Area Water Main Replacement WH	772,826
2018 Buckingham Street Area Water Main Replacement	737,642
Farmington Ave/WH Center Water Main Replacement	711,685
2018 Madison Ave Area Water Main Replacement	616,919
2019 Oakwood Ave Water Main Replacement 1&2	512,009
2019 Water Main Replacement Program	444,694
2019 Administrative Facilities and Equipment Improvements	359,458
2019 Bloomfield Transmission Main Extension Phase II	339,671
AWMR-Contract #3 Change Order #5	318,952
Multiple Projects < \$75K	259,574
2015 Water Supply Improvements	216,035
WT Facilities Infrastructure Rehabilitation, Upgrades & Replacements	139,268
2018 Water Main Replacement Program	109,459
2020 Long Hill Road Water Main	90,099
2012 General Purpose Water	<u>88,265</u>
Total	<u>\$ 19,136,005</u>

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

E. Operating Leases

Total operating lease payments for office equipment totaled \$108,105 for the year ended December 31, 2021. Future operating lease commitments are as follows:

	<u>Amount</u>
2022	\$ 108,774
2023	104,512
2024	50,867
2025	13,979
2026	<u>1,678</u>
Total	<u>\$ 279,810</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, 2021 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	\$ 301,040,982	\$ 80,539,870	\$ 42,531,188	\$ 339,049,664	\$ 21,325,176
Revenue bonds	252,350,000	201,440,000	128,385,000	325,405,000	15,950,000
Premiums	68,379,540	32,110,012	28,751,588	71,737,964	
Total bonds payable	<u>621,770,522</u>	<u>314,089,882</u>	<u>199,667,776</u>	<u>736,192,628</u>	<u>37,275,176</u>
Clean water fund loans	476,391,446	39,913,700	80,888,855	435,416,291	48,395,642
Compensated absences	2,857,592	2,626,112	2,748,983	2,734,721	2,714,895
Net pension liability	24,280,899		6,151,548	18,129,351	
Net OPEB Liability	<u>73,346,571</u>	<u>2,161,465</u>		<u>75,508,036</u>	
Total Governmental Activities Long-Term Liabilities	\$ <u>1,198,647,030</u>	\$ <u>358,791,159</u>	\$ <u>289,457,162</u>	\$ <u>1,267,981,027</u>	\$ <u>88,385,713</u>
Business-Type Activities:					
General obligation bonds	\$ 246,359,019	\$ 65,505,130	\$ 28,058,812	\$ 283,805,337	\$ 19,049,825
Premiums	28,687,419	14,986,427	8,120,312	35,553,534	
Total bonds payable	<u>275,046,438</u>	<u>80,491,557</u>	<u>36,179,124</u>	<u>319,358,871</u>	<u>19,049,825</u>
Drinking water fund loans	49,861,600	10,399,594	3,471,253	56,789,941	5,730,234
Compensated absences	3,592,441	3,537,598	3,529,417	3,600,622	3,047,198
Claims and judgments	6,283,811	15,839,850	15,732,336	6,391,325	750,859
Settlement liability	5,814,247		5,814,247	-	
Net pension liability	33,076,313		8,518,963	24,557,350	
Net OPEB Liability	<u>99,915,333</u>	<u>2,365,071</u>		<u>102,280,404</u>	
Total Business-Type Activities Long-Term Liabilities	\$ <u>473,590,183</u>	\$ <u>112,633,670</u>	\$ <u>73,245,340</u>	\$ <u>512,978,513</u>	\$ <u>28,578,116</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	\$ 339,049,664
Business-type activities	Various	<u>283,805,337</u>
		\$ <u>622,855,001</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Governmental Activities

Description	Date of Issue	Original Amount	Interest Rate	Date of Maturity	Principal Outstanding 12/31/2021
2010 Refunding Sewer	6/1/2010	\$ 10,506,495	2.56 %	2022	\$ 1,018,340
2014 GO Series A Sewer	8/6/2014	19,914,230	2.86	2035	12,936,846
2014 Refunding Sewer	8/6/2014	9,197,066	1.48	2024	1,010,553
2015 GO Series A Sewer	3/19/2015	33,973,310	2.85	2035	23,840,875
2015 GO Series B Sewer	11/3/2015	5,097,470	2.66	2035	3,567,200
2016 GO Series A Sewer	2/18/2016	17,431,020	2.30	2036	13,071,250
2016 Refunding Sewer	4/28/2016	18,301,300	1.64	2028	10,109,310
2016 GO Series C Sewer	12/1/2016	67,900,630	3.86	2034	51,931,150
2018 GO Series A Sewer	7/31/2018	62,591,950	3.31	2038	53,203,440
2019 GO Series A Sewer	8/8/2019	38,395,250	2.55	2039	34,555,190
2019 Refunding B Sewer	8/8/2019	26,533,410	2.05	2035	23,140,640
2019 Refunding C Sewer	8/8/2019	32,070,000	2.74	2040	30,125,000
2021 GO Series A Sewer	8/31/2021	74,356,690	2.00	2041	74,356,690
2021 Refunding B Sewer	8/31/2021	6,183,180	1.24	2033	6,183,180
Total General Obligation Bonds					<u>339,049,664</u>
2020 Revenue Refunding A Sewer	8/25/2020	55,010,000	2.48	2045	50,000,000
2020 Revenue Refunding B Sewer	8/25/2020	76,065,000	2.37	2039	73,965,000
2021 Revenue Bond Sewer	11/3/2021	66,030,000	1.55	2041	66,030,000
2021 Revenue Refunding B Sewer	11/3/2021	135,410,000	2.61	2042	135,410,000
Total Revenue Bonds					<u>325,405,000</u>
					<u>\$ 664,454,664</u>

Business-Type Activities

Description	Date of Issue	Original Amount	Interest Rate	Date of Maturity	Principal Outstanding 12/31/2021
2010 Refunding Water	6/1/2010	\$ 2,338,504	2.56 %	2022	\$ 226,661
2014 GO Series A Water	8/6/2014	27,820,770	2.86	2035	18,073,154
2014 Refunding Water	8/6/2014	5,647,933	1.48	2024	1,139,447
2015 GO Series A Water	3/19/2015	32,766,691	2.85	2035	22,994,126
2015 GO Series B Water	11/3/2015	31,117,530	2.66	2035	21,772,800
2016 GO Series A Water	2/18/2016	15,593,980	2.30	2036	11,678,750
2016 Refunding Water	4/28/2016	29,733,700	1.64	2028	16,425,690
2016 GO Series C Water	12/1/2016	40,414,370	3.86	2034	30,883,850
2018 GO Series A Water	7/31/2018	48,178,050	3.31	2038	40,951,559
2019 GO Series A Water	8/8/2019	38,104,750	2.55	2039	34,294,810
2019 Refunding B Water	8/8/2019	22,771,590	2.05	2035	19,859,360
2021 GO Series A Water	8/31/2021	56,453,310	2.00	2041	56,453,310
2021 Refunding B Water	8/31/2021	9,051,820	1.24	2033	9,051,820
					<u>\$ 283,805,337</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 21,325,176	\$ 14,775,883	\$ 19,049,825	\$ 12,022,381
2023	20,377,139	13,845,486	18,767,861	11,215,264
2024	20,304,451	12,874,406	18,840,549	10,313,126
2025	21,023,154	11,971,783	19,206,846	9,467,842
2026	21,225,044	10,989,336	19,329,956	8,570,939
2027-2031	103,048,896	40,909,431	89,646,104	31,017,813
2032-2036	86,271,554	18,858,644	69,583,446	13,306,803
2037-2041	<u>45,474,250</u>	<u>4,742,439</u>	<u>29,380,750</u>	<u>3,043,211</u>
Total	\$ <u>339,049,664</u>	\$ <u>128,967,408</u>	\$ <u>283,805,337</u>	\$ <u>98,957,379</u>

Authorized but Unissued Bonds

The total of authorized but unissued bonds at December 31, 2021 is \$643,563,273. 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, 2021, the District reported unspent bond proceeds of \$31,306,037 and \$5,699,446 in governmental and business-type activities, respectively. These amounts were included as a component of net investment in capital assets in the statement of net position.

Revenue Bonds

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	Various	\$ <u>325,405,000</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

		Governmental Activities	
		<u>Principal</u>	<u>Interest</u>
2022	\$	15,950,000	\$ 9,388,541
2023		12,700,000	9,801,913
2024		12,855,000	9,408,470
2025		13,045,000	8,987,633
2026		15,850,000	8,533,212
2027-2031		87,060,000	34,232,356
2032-2036		87,705,000	19,049,584
2037-2041		68,185,000	7,428,185
2042-2045		<u>12,055,000</u>	<u>735,565</u>
Total	\$	<u>325,405,000</u>	\$ <u>107,565,459</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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

Governmental Activities				
<u>Description</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Principal Outstanding 12/31/2021</u>
CSL142	09/04/08	\$ 6,200,000	2.00 %	\$ 1,911,667
CSL149	03/31/09	12,710,000	2.00	4,289,625
CWF160C	12/27/07	1,888,557	2.00	519,353
166-CSL1	03/31/12	21,907,709	2.00	10,361,754
214-CSL	12/30/15	14,198,442	2.00	9,583,948
CWF267C	3/19/03	5,213,046	2.00	56,671
CWF451C	12/17/04	3,987,010	2.00	483,887
CWF494C	6/27/03	2,029,367	2.00	101,469
CWF508C	04/30/08	1,232,078	2.00	359,356
CWF520C	03/31/09	4,547,580	2.00	1,534,808
CWF521C	09/30/08	4,240,340	2.00	1,325,106
CWF578C	12/19/08	2,042,741	2.00	576,935
578-CD1	01/31/11	2,619,263	2.00	1,178,669
619-D1	03/31/12	12,600,000	2.00	5,959,459
626-C	01/29/13	22,160,848	2.00	11,172,762
652-C	01/31/16	25,528,771	2.00	17,976,510
652-C1	01/31/17	27,234,976	2.00	20,539,711
657-C	07/31/16	33,352,916	2.00	24,319,834
657-C1	07/31/17	40,852,371	2.00	31,830,806
692-C	01/31/18	46,785,354	2.00	37,623,222
657-C2	07/31/18	52,655,657	2.00	43,660,316
CWF 215-C	11/30/18	10,306,693	2.00	8,717,744
CWF 692-C1	01/31/19	31,761,844	2.00	27,129,908
CWF 652-C2	04/30/19	21,862,088	2.00	18,667,627
CWF 657-C3	06/30/19	17,782,244	2.00	15,114,907
CWF 697-DC (CIP)	02/28/20	15,019,750	2.00	12,829,370
CWF 692-C2	04/30/20	33,394,334	2.00	30,291,321
CWF 691-C	05/31/20	190,810	2.00	175,317
CWF 221-CSL	07/31/20	2,091,106	2.00	1,939,188
CWF 692-C3	01/31/21	17,875,420	2.00	17,056,130
CWF 657-C4	06/30/21	5,408,501	2.00	4,827,324
CWF 219-CSL	06/30/21	27,333,273	2.00	26,632,421
Total Permanent Loan Obligations				<u>388,747,125</u>
CWF #692-C	Various	55,010,000		17,646,600
CWF #729-C	Various	66,030,000		14,199,049
CWF	Various	135,410,000		14,823,517
Total Interim Loan Obligations				<u>46,669,166</u>
				<u>\$ 435,416,291</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

Business-Type Activities				
<u>Description</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Principal Outstanding 12/31/2021</u>
DWSRF200105C	12/11/03	\$ 2,343,735	2.00 %	\$ 185,547
DWSRF 2010 8008	08/31/11	2,579,412	2.00	1,117,745
DWSRF 2010 8009	02/29/12	772,079	2.00	334,567
DWSRF 2010 8009-1	01/29/13	193,644	2.00	95,446
DWSRF 2013-7012	07/15/14	2,780,620	2.00	1,610,442
DWSRF 2013-7013	06/01/15	2,713,243	2.00	1,668,644
DWSRF 2013-7014	09/30/15	4,691,464	2.00	3,108,095
DWSRF 2013-7015	05/31/16	5,635,824	2.00	3,681,207
DWSRF 2013-7017	06/30/15	2,013,468	2.00	1,275,196
DWSRF 2013-7018	09/30/14	398,083	2.00	233,874
DWSRF 2013-7019	06/30/15	1,539,774	2.00	962,359
DWSRF 2014-7021	04/30/16	3,809,525	2.00	2,444,445
DWSRF 2014-7026	03/31/15	1,691,379	2.00	1,078,254
DWSRF 2014-7029	03/31/16	3,173,899	2.00	2,050,293
DWSRF 2014-7030	07/31/16	1,892,813	2.00	1,285,536
DWSRF 2014-7031	05/31/16	3,626,881	2.00	2,369,006
DWSRF 2014-7032	12/31/16	3,162,716	2.00	2,351,764
DWSRF 2014-7033	08/31/16	1,501,320	2.00	1,079,897
DWSRF 2016-7035	08/31/16	2,203,262	2.00	1,584,802
DWSRF 2016-7042	08/31/16	825,335	2.00	593,662
DWSRF 2016-7043	02/28/17	1,129,379	2.00	845,832
DWSRF 2016-7044	04/30/17	2,754,227	2.00	2,042,719
DWSRF 2016-7045	07/31/17	2,445,859	2.00	1,844,585
DWSRF 2016-7047	02/28/17	3,004,951	2.00	2,250,516
DWSRF 2016-7046	06/29/18	3,051,182	2.00	2,440,946
DWSRF 2018-7061	03/30/19	1,892,634	2.00	1,625,724
DWSRF 2017-7055	04/30/19	1,691,022	2.00	1,459,771
DWSRF 2018-7062	07/31/19	1,814,906	2.00	1,589,981
DWSRF 2019-7074	08/31/20	2,046,805	2.00	1,906,853
DWSRF 2020-7086	01/31/21	1,334,309	2.00	1,272,640
Total Permanent Loan Obligations				<u>46,390,348</u>
DWSRF#2020-7088	various	2,274,924		2,274,924
DWSRF#2021-7092	various	2,781,518		2,781,517
DWSRF#2021-7093	various	4,862,856		4,862,856
DWF	various	480,296		480,296
Total Interim Loan Obligations				<u>10,399,593</u>
				<u>\$ 56,789,941</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Permanent loan obligations mature as follows:

	Governmental Activities	
	Principal	Interest
2022	\$ 26,526,939	\$ 7,531,340
2023	26,368,800	7,002,690
2024	26,252,000	6,475,898
2025	26,168,571	5,952,109
2026	26,168,571	5,428,738
2027-2031	122,438,890	19,534,136
2032-2036	104,254,828	8,235,037
2037-2041	<u>30,568,526</u>	<u>779,317</u>
	<u>\$ 388,747,125</u>	<u>\$ 60,939,265</u>

	Business-Type Activities	
	Principal	Interest
2022	\$ 3,455,310	\$ 896,488
2023	3,406,483	827,527
2024	3,338,124	760,378
2025	3,338,124	693,708
2026	3,338,124	627,037
2027-2031	16,452,501	2,138,193
2032-2036	11,780,310	614,018
2037-2040	<u>1,281,372</u>	<u>33,376</u>
	<u>\$ 46,390,348</u>	<u>\$ 6,590,725</u>

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

	Governmental Activities	
	Principal	Interest
2022	\$ 21,868,703	\$ 161,484
2023		
2024	8,913,433	
2025	<u>15,887,030</u>	<u>184,189</u>
	<u>\$ 46,669,166</u>	<u>\$ 345,673</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

	Business-Type Activities	
	Principal	Interest
2022	\$ 2,274,924	\$ 17,112
2023		
2024	8,124,669	48,851
	<u>\$ 10,399,593</u>	<u>\$ 65,963</u>

The State may terminate the obligation to make the Project Loan, with 60 days written notice, if the State determines that such termination is in the best interest of the State and the Municipality fails to perform its obligations under the agreement. After giving notice, the State has discretion not to terminate the Project Loan if the Municipality performs its obligations to the satisfaction of the State.

General Obligation Bonds - New Issuances and Current Refunding

On August 31, 2021, the District issued \$130,810,000 in General Obligation Bonds, 2021 Series A comprised of two parts, the BAN repayment of \$77,760,000 with a True Interest Cost (TIC) of 2.00%, and the new money portion of \$53,050,000 with a True Interest Cost (TIC) of 2.00%. The net proceeds from the BAN repayment portion was \$95,456,182 (after payment of the Underwriter’s Discount of \$318,026), and the net proceeds from the new money portion was \$65,122,418 (after payment of the Underwriter’s Discount of \$216,958).

On November 3, 2021, the District issued \$15,235,000 in General Obligation Bonds, 2021 Series B with a True Interest Cost (TIC) of 1.24%. This Bond refunded the 2013 General Obligation Bonds, Issue of 2013 Series A with an outstanding principal amount of \$18,120,000. The net proceeds were \$18,438,995 (after payment of the Underwriter’s Discount of \$55,398). The transaction generated a cash flow savings of \$1,357,037 and an economic gain of \$1,357,739.

Revenue Bonds – New Issuances and Current Refunding

On November 3, 2021, the District issued \$66,030,000 in Clean Water Project Revenue Bonds, 2021 Series A with a True Interest Cost (TIC) of 1.55%. This Bond refunded five Project Loan Obligations (CWF 619-C1, CWF 646-C, CWF 626-CD1, CWF 619-CD1 and CWF 686-C) issued through the State of Connecticut’s Clean Water Fund, with an outstanding principal amount of \$50,682,468. Those Project Loan Obligations had an interest rate of 2%. This bond also refunded the General Obligation Bonds, Issue of 2013, Series B with a Par Value of \$25,030,000 with the outstanding principal amount of \$15,000,000. Additionally, there was \$13,300,000 in new money proceeds in this issuance. The net proceeds were \$79,456,802 (after payment of the Underwriter’s Discount of \$106,658). The transaction generated a cash flow savings of \$2,960,044 and an economic gain of \$2,960,044.

On November 3, 2021, the District issued \$135,410,000 in Clean Water Project Revenue Bonds, 2021 Series B with a True Interest Cost (TIC) of 2.61%. This Bond refunded the Clean Water Project Revenue Bonds, 2014 Series A (Green Bonds) with an outstanding principal amount of \$119,865,000. The net proceeds were \$135,163,555 (after payment of the Underwriter’s Discount of \$246,445). The transaction generated a cash flow savings of \$16,812,693 and a net present value savings of \$16,812,693.

**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>
\$ 1,366,406,598	\$ 802,420,538	\$ 563,986,060

G. Fund Balance

The components of fund balance for the governmental funds at December 31, 2021 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	\$ 662,737	\$	\$	\$	\$ 662,737
Supplies	3,457,138				3,457,138
Restricted for:					
Debt service		5,200,545			5,200,545
Committed to:					
Debt service			70,745,818	31,861,404	102,607,222
Unassigned	<u>25,589,950</u>				<u>25,589,950</u>
Total Fund Balances	<u>\$ 29,709,825</u>	<u>\$ 5,200,545</u>	<u>\$ 70,745,818</u>	<u>\$ 31,861,404</u>	<u>\$ 137,517,592</u>

There were no outstanding encumbrances at December 31, 2021.

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, 2021, membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	642
Terminated members entitled to but not yet receiving benefits	53
Current active members	<u>429</u>
Total Members	<u><u>1,124</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, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Core Fixed Income	10.00%
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	12.50%
Real Estate (REITS)	10.00%
Commodities	5.00%

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.72%. 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, 2021 were as follows:

Total pension liability	\$ 321,890,252
Plan fiduciary net position	<u>279,203,551</u>
Net Pension Liability	<u>\$ 42,686,701</u>
Plan fiduciary net position as a percentage of the total pension liability	86.74%

The net pension liability is recorded in the Water Utility Fund (Proprietary Fund), 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, 2021, 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	6.75%, net of pension plan investment expense, including inflation
Mortality rates	Pub-2010 Mortality (using a 75%/25% blend of Public Safety and General rates) with generational projection per MP-2019 Ultimate Scale
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, 2021 (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	1.25%
Global Funds	53.00%
Large Cap U.S. Equities	3.96%
Mid Cap U.S. Equities	4.30%
Small Cap U.S. Equities	5.13%
Developed Foreign Equities	5.76%
Real Estate (REITS)	5.16%
Commodities	4.16%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2021 decreased 0.125% to 6.75% from 6.875% at December 31, 2020.

**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, 2021	\$ 310,703,505	\$ 253,346,293	\$ 57,357,212
Changes for the year:			
Service cost	4,684,449		4,684,449
Interest on total pension liability	21,004,988		21,004,988
Differences between expected and actual experience	1,429,146		1,429,146
Changes in assumptions	4,123,207		4,123,207
Employer contributions		9,133,600	(9,133,600)
Member contributions		2,453,012	(2,453,012)
Net investment gain (loss)		34,407,695	(34,407,695)
Benefit payments, including refund of employee contributions	(20,055,043)	(20,055,043)	-
Administrative expenses		(82,006)	82,006
Net changes	<u>11,186,747</u>	<u>25,857,258</u>	<u>(14,670,511)</u>
Balances as of December 31, 2021	<u>\$ 321,890,252</u>	<u>\$ 279,203,551</u>	<u>\$ 42,686,701</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 6.75%, 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 (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
District's Net Pension Liability \$	78,929,187	\$ 42,686,701	\$ 11,919,787

**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, 2021, the District recognized pension expense of \$5,792,602, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$3,332,442 and \$2,460,160, respectively. At December 31, 2021, 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	\$ 44,844	\$ 5,209,457
Changes of assumptions		17,068,945
Net difference between projected and actual earnings on pension plan investments	<u>28,541,450</u>	
Total	<u>\$ 28,586,294</u>	<u>\$ 22,278,402</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>	
2022	\$ 2,275,729
2023	(3,899,055)
2024	(1,952,954)
2025	<u>(2,731,612)</u>
	<u>\$ (6,307,892)</u>

F. 457(b) and 457(f) Deferred Compensation Plan

The District offers a 457 (b) Deferred Compensation Plan to its employees as a voluntary savings plan, with no employer match. Participants decide how much to invest and the District deducts payments on their behalf and sends them directly to MassMutual who acts as the Record Keeper & Administrator. District employees currently have in excess of \$60 million in assets which grow on a tax-deferred basis. MassMutual was recently acquired by Empower. Participants can diversify their investments in more than 12 investment vehicles across a range of investment alternatives. Retirement Plan Advisors (RPA) of Chicago Illinois serves as a 3(21) fiduciary investment advisor on the Plan.

The District also has a Non-Voluntary 457 (f) Deferred Compensation Plan for the purpose of complying with certain limitations of the IRS Code of 1986. The purpose of the Plan is to provide certain senior District employees with retirement benefits that they are unable to receive under the employers qualified defined pension plan due to limitations of the Internal Revenue Code. As of December 31, 2021, there were two employees eligible to participate in the Plan. The Plan is unfunded; the District pays any benefits due in a given year under the terms of the Plan directly from District operating funds.

**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	\$ 1,164,382	\$ 15,098,895	\$ 16,263,277
Accounts receivable	46,226	75,484	121,710
Investments, at fair value:			
Mutual funds	31,750,894	800,026	32,550,920
Guaranteed investment contracts	20,235,638		20,235,638
Land	7,524,349		7,524,349
Commingled collective trusts	198,656,130		198,656,130
Real estate	19,825,932		19,825,932
Total assets	<u>279,203,551</u>	<u>15,974,405</u>	<u>295,177,956</u>
LIABILITIES			
Due to other funds	<u> </u>	<u>41,338</u>	<u>41,338</u>
Total liabilities	<u> </u>	<u>41,338</u>	<u>41,338</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	<u>\$ 279,203,551</u>	<u>\$ 15,933,067</u>	<u>\$ 295,136,618</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	\$ 9,133,600	\$ 10,448,800	\$ 19,582,400
Plan members	<u>2,453,012</u>	<u>443,518</u>	<u>2,896,530</u>
Total contributions	<u>11,586,612</u>	<u>10,892,318</u>	<u>22,478,930</u>
Investment earnings:			
Net change in fair value of investments	32,785,373		32,785,373
Interest and dividends	<u>3,123,588</u>	<u>104,638</u>	<u>3,228,226</u>
Total investment earnings (loss)	35,908,961	104,638	36,013,599
Less investment expenses:			
Investment management fees	<u>1,501,266</u>	<u>2,131</u>	<u>1,503,397</u>
Net investment earnings (loss)	<u>34,407,695</u>	<u>102,507</u>	<u>34,510,202</u>
Total additions (reductions)	<u>45,994,307</u>	<u>10,994,825</u>	<u>56,989,132</u>
Deductions:			
Benefits	20,055,043	4,096,791	24,151,834
Administrative expense	<u>82,006</u>	<u>83,120</u>	<u>165,126</u>
Total deductions	<u>20,137,049</u>	<u>4,179,911</u>	<u>24,316,960</u>
Change in Net Position	25,857,258	6,814,914	32,672,172
Net Position at Beginning of Year	<u>253,346,293</u>	<u>9,118,153</u>	<u>262,464,446</u>
Net Position at End of Year	<u>\$ 279,203,551</u>	<u>\$ 15,933,067</u>	<u>\$ 295,136,618</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, 2021. The plan does not issue a stand-alone financial report.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

At January 1, 2020, plan membership consisted of the following:

	Retiree Health Plan
Retired members	488
Spouses of retired members	336
Active plan members	467
Beneficiaries	<u>165</u>
Total Participants	<u><u>1,456</u></u>

Funding Policy

The Retirement Plan is funded from various sources, including

- (a) employee mandatory contribution (employees hired before October 4, 2015 contribute 5% of regular compensation, employees hired between October 4, 2015 and June 5, 2018 contribute 7% 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. Investments are reported at fair value.

**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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 0.98%. 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, 2021. The components of the net OPEB liability of the District at December 31, 2021 were as follows:

Total OPEB liability	\$	193,721,507
Plan fiduciary net position		<u>15,933,067</u>
Net OPEB Liability	\$	<u><u>177,788,440</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		8.22%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, 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	6.875%, net of OPEB plan investment expense
Healthcare cost trend rates	6.50% (6.30% for Post-65) - 4.30% over 53 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Core Fixed Income	20%	1.25%
Large Cap U.S. Equities	80%	3.96%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

<u>Metropolitan District Employees' Retirement System</u>			
	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a)-(b)</u>
Balances as of January 1, 2021	\$ 182,380,057	\$ 9,118,153	\$ 173,261,904
Changes for the year:			
Service cost	2,842,666		2,842,666
Interest on total OPEB liability	12,595,575		12,595,575
Employer contributions		10,448,800	(10,448,800)
Member contributions		443,518	(443,518)
Net investment gain (loss)		102,507	(102,507)
Benefit payments, including refund of employee contributions	(4,096,791)	(4,096,791)	-
Administrative expenses		(83,120)	83,120
Net changes	<u>11,341,450</u>	<u>6,814,914</u>	<u>4,526,536</u>
Balances as of December 31, 2021	<u>\$ 193,721,507</u>	<u>\$ 15,933,067</u>	<u>\$ 177,788,440</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:

	<u>1% Decrease (5.875%)</u>	<u>Current Discount Rate (6.875%)</u>	<u>1% Increase (7.875%)</u>
Net OPEB liability	\$ 201,272,000	\$ 177,788,440	\$ 158,417,616

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 of 6.50% (6.30% for Post-65) - 4.30% over 53 years:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 152,249,973	\$ 177,788,440	\$ 209,419,126

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

For the year ended December 31, 2021, the District recognized OPEB revenue of \$18,992,487, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$10,926,240 and \$8,066,247, respectively. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Metropolitan District Employees' Retirement System</u>	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 43,464,595	\$ 2,829,394
Changes of assumptions	91,167,054	25,190,389
Net difference between projected and actual earning on OPEB plan investments		<u>769,270</u>
Total	<u>\$ 134,631,649</u>	<u>\$ 28,789,053</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>	
2022	\$ (33,216,550)
2023	(31,659,167)
2024	(41,117,133)
2025	<u>150,254</u>
	\$ <u><u>(105,842,596)</u></u>

6. OTHER INFORMATION

A. Clean Water Project

The Clean Water Project addresses approximately one billion gallons of combined wastewater and storm water released each year to area waterways prior to execution of the Clean Water Project. The project is in response to an Environmental Protection Agency (EPA) Sanitary Sewer Overflows (SSO) federal consent decree and a Connecticut 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 services 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 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 METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

The LTCP was most recently revised and resubmitted to Connecticut DEEP in December 2018. Meetings with CT DEEP have generated resubmittals, most recently a February 2021 submittal of a Phase I Implementation Plan, which is under review. The resubmitted LTCP introduces the concept of an “Integrated Plan”, which coordinates the District’s ongoing capital improvement and maintenance program with projects necessary to comply 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 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 forty years. 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, and a new consent order that accounts for Phase I implementation of the proposed IP is expected shortly, but cannot predict when the resubmitted LTCP and new consent order will be issued.

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 LTCP are that the Clean Water Project Charge would remain flat through 2022 and then increase incrementally 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 outside approvals. The primary reasons for the increase in the Clean Water Project Charge are 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.

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, 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. Another appropriation of \$18.8 million for a grant not requiring a referendum was approved by the District Board on September 2, 2020. 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 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 may 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 loans from the State.

The District has issued, to date, \$332.515 million in Clean Water Project Revenue Bonds, \$325.405 million of which were outstanding as of December 31, 2021. 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 \$1,000,000 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 District holds cyber liability insurance for claims made up to \$1,000,000. 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 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

The claims liability of \$6,391,325 for the self-insurance fund reported at December 31, 2021 is based on the requirements of GASB Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded. The District’s policy is to have an actuarial study performed annually.

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

		Accrued Liability Beginning of Fiscal Year		Current Year Claims and Changes in Estimates		Claim Payments		Accrued Liability End of Fiscal Year
2020	\$	6,358,539	\$	18,074,522	\$	18,149,250	\$	6,283,811
2021		6,283,811		15,839,850		15,732,336		6,391,325

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

The Metropolitan District is engaged in the advancement of an ambitious capital improvement project known as the Clean Water Project (CWP). A component of the CWP is the construction of the South Hartford Conveyance and Storage Tunnel, a 4.1 mile long subterranean tunnel which begins at the MDC plant located in the South Meadows of Hartford and ends in West Hartford. The contractor constructing the project on behalf of the MDC is Kenny/Obayashi, A Joint Venture (KOJV), and the cost of the project is \$279,400,000, funding by the MDC and the State of Connecticut. It is anticipated that the tunnel project will achieve substantial completion in August 2022.

In the course of constructing the first phase of the tunnel, KOJV alleges that it encountered “differing site conditions,” and, as a result, it alleges that it incurred additional costs beyond those costs identified in the contract. KOJV has estimated that the cost impacts of the differing site conditions to be in excess of \$41 million. The MDC vigorously disputes KOJV’s claim for any additional compensation, and, in April 2021, a two-day hearing was held before a three-member Dispute Resolution Board (DRB) that had been contractually agreed to and appointed jointly by the parties. Due to the resignation of one of the three members shortly after the hearing, the DRB has yet to issue any rulings. It is impossible to state with any certainty if, how, and when the DRB will reconstitute itself and, if so, how it might rule. The issue of how the DRB should be reconstituted is pending pursuant to litigation brought by KOJV in Hartford Superior Court.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

In contrast, the MDC alleges that KOJV has failed to achieve certain construction completion milestones that were agreed to by KOJV when it entered into the construction contract. As a result, the MDC submits that KOJV is liable to the MDC for certain liquidated damages that must be paid by KOJV to compensate the MDC for various costs and expenses incurred as a result in the contractor's delay in achieving these milestones. It is anticipated that the liquidated damage claims to be assessed against KOJV will exceed \$20 million.

In terms of "materiality," the MDC has sufficient contract contingency funds to meet its alleged exposure, and the State is expected to participate in satisfying any successful claim as well. Further, as noted, the MDC expects an offset on any successful claim for liquidated damages.

7. RESTATEMENT

The MDC reported a restatement in the general and clean water project funds for revenue recognition under the modified accrual basis of accounting on sewer use and grant receivables. The MDC restated beginning balances as follows:

	<u>General</u>	<u>Clean Water Project</u>
Fund balance at December 31, 2020, as previously reported	\$ 35,585,675	\$ 75,165,949
Adjustments:		
Receivables not received within 60 days	<u>(3,378,645)</u>	<u>(10,050,084)</u>
Fund balance at January 1, 2020, as Restated	<u>\$ 32,207,030</u>	<u>\$ 65,115,865</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

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**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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxation:				
Hartford	\$ 13,169,100	\$ 13,169,100	\$ 13,169,100	\$ -
East Hartford	6,015,200	6,015,200	6,015,200	-
Newington	4,681,000	4,681,000	4,681,000	-
Wethersfield	4,214,100	4,214,100	4,214,100	-
Windsor	4,551,500	4,551,500	4,551,500	-
Bloomfield	3,808,100	3,808,100	3,808,100	-
Rocky Hill	3,171,200	3,171,200	3,171,200	-
West Hartford	11,865,500	11,865,500	11,865,500	-
Total taxation	<u>51,475,700</u>	<u>51,475,700</u>	<u>51,475,700</u>	<u>-</u>
Sewer user fees:				
Bradley Airport - Hamilton - East Granby	1,380,600	1,380,600	1,591,355	210,755
Customer service charge	7,699,300	7,699,300	7,107,365	(591,935)
Nonmunicipal - tax exempt	6,308,300	6,308,300	5,985,706	(322,594)
Hi-flow charges	3,259,200	3,259,200	1,565,473	(1,693,727)
Hi-strength	770,000	770,000	577,802	(192,198)
Manchester	243,000	243,000	167,838	(75,162)
South Windsor	20,000	20,000	15,445	(4,555)
Farmington	180,000	180,000	161,183	(18,817)
Cromwell	20,000	20,000	11,599	(8,401)
DEEP/Landfill discharge fees	120,000	120,000		(120,000)
Total	<u>20,000,400</u>	<u>20,000,400</u>	<u>17,183,766</u>	<u>(2,816,634)</u>
Sewer user rebates				-
Total sewer user fees	<u>20,000,400</u>	<u>20,000,400</u>	<u>17,183,766</u>	<u>(2,816,634)</u>
Intergovernmental:				
Sludge handling	11,436,400	11,436,400	11,044,402	(391,998)
Household hazardous waste	30,000	30,000	26,591	(3,409)
Total intergovernmental	<u>11,466,400</u>	<u>11,466,400</u>	<u>11,070,993</u>	<u>(395,407)</u>
Investment income	<u>200,000</u>	<u>200,000</u>	<u>30,448</u>	<u>(169,552)</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other revenues:				
Bill jobs	\$ 20,000	\$ 20,000	\$ 13,990	\$ (6,010)
FOG Charges	236,000	236,000	234,165	(1,835)
Developers	582,000	582,000	-	(582,000)
Payroll additives and indirect costs			64,615	64,615
Late payment charges	1,029,900	1,029,900	1,283,678	253,778
Labor additives and overhead			51,086	51,086
Property rents	145,600	145,600	134,564	(11,036)
Sale of materials/equipment	88,000	88,000	209,255	121,255
Septage/glycol discharge fees	1,463,700	1,463,700	1,356,422	(107,278)
Rebates and reimbursements	15,000	15,000	375,227	360,227
PM Unit	6,291,000	6,291,000	6,291,000	-
Vendor discount revenue	500	500	6,249	5,749
Miscellaneous	150,000	150,000	71,822	(78,178)
Total other revenues	<u>10,021,700</u>	<u>10,021,700</u>	<u>10,092,073</u>	<u>70,373</u>
Total revenues	<u>93,164,200</u>	<u>93,164,200</u>	<u>89,852,980</u>	<u>(3,311,220)</u>
Other financing sources:				
Transfers in	3,800,000	3,800,000	-	(3,800,000)
	<u>3,800,000</u>	<u>3,800,000</u>	<u>-</u>	<u>(3,800,000)</u>
Total Revenues and Other Financing Sources	<u>96,964,200</u>	<u>96,964,200</u>	<u>89,852,980</u>	<u>(7,111,220)</u>
Expenditures:				
General government:				
District Board	203,600	203,600	170,870	32,730
Executive office	1,462,000	1,462,000	1,197,808	264,192
Legal	744,400	744,400	596,570	147,830
Information systems	2,760,000	2,760,000	2,694,328	65,672
Finance	2,486,980	2,476,200	2,311,597	164,603
Total general government	<u>7,656,980</u>	<u>7,646,200</u>	<u>6,971,173</u>	<u>675,027</u>
Engineering and planning	<u>546,500</u>	<u>546,500</u>	<u>444,991</u>	<u>101,509</u>
Operations:				
Environmental health and safety	469,400	469,400	399,078	70,322
Command Center	1,512,700	1,512,700	1,376,744	135,956
Chief Operating office	360,300	360,300	358,738	1,562
Customer service	1,045,720	1,056,500	908,597	147,903
Operations	3,068,800	3,068,800	2,882,211	186,589
Total operations	<u>6,456,920</u>	<u>6,467,700</u>	<u>5,925,368</u>	<u>542,332</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Plants and maintenance:				
Water pollution control	\$ 17,456,700	\$ 17,456,700	\$ 16,340,842	\$ 1,115,858
Laboratory services	750,700	750,700	680,226	70,474
Maintenance	5,966,800	5,966,800	4,942,074	1,024,726
Special agreements and programs	1,556,900	1,556,900	1,316,583	240,317
Total plants and maintenance	<u>25,731,100</u>	<u>25,731,100</u>	<u>23,279,725</u>	<u>2,451,375</u>
Employee benefits and other:				
Employee benefits	16,054,500	16,054,500	15,883,659	170,841
General insurance	2,447,900	2,447,900	2,416,925	30,975
Total employee benefits and other	<u>18,502,400</u>	<u>18,502,400</u>	<u>18,300,584</u>	<u>201,816</u>
Contingency	<u>1,980,000</u>	<u>1,980,000</u>		<u>1,980,000</u>
Debt service:				
Principal	21,544,100	21,544,100	21,544,065	35
Interest	12,570,300	11,631,236	11,631,236	-
Outside services		5,255	5,255	-
Legal services	251,000	49,129	33,636	15,493
Transfer out	1,724,900	2,860,580	2,860,580	-
Total debt service	<u>36,090,300</u>	<u>36,090,300</u>	<u>36,074,772</u>	<u>15,528</u>
Total expenditures	<u>96,964,200</u>	<u>96,964,200</u>	<u>90,996,613</u>	<u>5,967,587</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	(1,143,633)	\$ <u>(1,143,633)</u>

Budgetary expenditures are different than GAAP expenditures because:

Expenditures not included in the budget, consisting primarily of:

The District does not budget for sewer rebates	561,849
The District does not budget for sales accruals	(30,656)
The District does not budget for certain interest and note expense	(240,984)
The District does not budget for billable or developer payroll	(219,599)
The District does not budget for billable or developer accrual	49,644
The District does not budget for certain non-funded payroll	(49,096)
The District does not budget for year end payroll accruals	(78,961)
The District does not budget for bad debts	(1,098,075)
The District does not budget for year end expense accruals	483,175
The District does not budget for liquid waste discharge accruals	<u>(730,869)</u>

Net Change in Fund Balance as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds \$ (2,497,205)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:								
Service cost	\$ 4,684,449	\$ 4,679,208	\$ 4,201,054	\$ 4,088,615	\$ 3,989,674	\$ 4,121,036	\$ 3,977,923	\$ 3,534,272
Interest	21,004,988	19,624,655	19,227,865	18,306,742	18,000,653	17,634,276	17,230,210	16,861,364
Changes of benefit terms		21,260	350		258,130			
Differences between expected and actual experience	1,429,146	1,826,376	2,768,238	8,180,799	(605,374)	159,570	(348,426)	
Changes of assumptions	4,123,207	18,425,798	6,966,524				7,992,450	
Benefit payments, including refunds of member contributions	<u>(20,055,043)</u>	<u>(18,776,033)</u>	<u>(18,226,458)</u>	<u>(17,748,776)</u>	<u>(17,299,291)</u>	<u>(15,950,213)</u>	<u>(15,844,541)</u>	<u>(15,437,612)</u>
Net change in total pension liability	11,186,747	25,801,264	14,937,573	12,827,380	4,343,792	5,964,669	13,007,616	4,958,024
Total pension liability - beginning	<u>310,703,505</u>	<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>	<u>228,863,187</u>
Total pension liability - ending	<u>321,890,252</u>	<u>310,703,505</u>	<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	9,133,600	8,650,763	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000
Contributions - member	2,453,012	2,385,458	2,430,709	2,280,859	2,343,416	2,247,072	2,255,825	2,160,885
Net investment income (loss)	34,407,695	34,378,938	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	(20,055,043)	(18,776,033)	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,448,154)
Administrative expense	(82,006)	(79,174)	(103,926)	(67,530)	(119,313)	(109,687)	(35,213)	(46,896)
Special Item					(9,271,439)			
Net change in plan fiduciary net position	<u>25,857,258</u>	<u>26,559,952</u>	<u>25,081,857</u>	<u>(18,216,168)</u>	<u>18,633,255</u>	<u>6,373,299</u>	<u>(3,986,437)</u>	<u>6,550,466</u>
Plan fiduciary net position - beginning	<u>253,346,293</u>	<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>	<u>192,350,069</u>
Plan fiduciary net position - ending	<u>279,203,551</u>	<u>253,346,293</u>	<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>42,686,701</u>	\$ <u>57,357,212</u>	\$ <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	86.74%	81.54%	79.60%	74.72%	85.53%	79.63%	78.97%	85.07%
Covered payroll	\$ 47,184,831	\$ 44,912,213	\$ 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	90.47%	127.71%	129.40%	159.56%	88.41%	117.13%	121.71%	84.23%

Notes to Schedule:

Discount rate changes: The rate at December 31, 2021 decreased 0.125% to 6.75% from 6.875% at December 31, 2020.

*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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 9,133,515	\$ 6,756,345	\$ 6,756,345	\$ 5,647,479	\$ 5,376,378	\$ 6,361,424	\$ 5,805,223	\$ 5,857,601	\$ 5,804,428	\$ 5,347,556
Contributions in relation to the actuarially determined contribution	9,133,600	8,650,763	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000	5,881,000	5,822,098
Contribution Deficiency (Excess)	<u>\$ (85)</u>	<u>\$ (1,894,418)</u>	<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>
Covered payroll	\$ 47,184,831	\$ 44,912,213	\$ 44,912,213	\$ 42,779,907	\$ 42,096,151	\$ 43,972,101	\$ 42,655,811	\$ 41,460,234	\$ 38,773,923	\$ 41,341,171
Contributions as a percentage of covered payroll	19.36%	19.26%	12.66%	15.19%	14.97%	14.47%	14.07%	14.27%	15.17%	14.08%

Notes to Schedule

Valuation date: January 1, 2021
Measurement date: December 31, 2021
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	18 years
Asset valuation method	5-years, non-asymptotic
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	Aged based rates
Turnover	Aged based rates
Mortality	Pub-2010 Mortality (using a 75%/25% blend of Public Safety and General rates) with generational projection per MP-2019 Ultimate Scale

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

	<u>2021</u>	<u>2020</u>	<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	13.72%	15.43%	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 FIVE FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 2,842,666	\$ 8,810,535	\$ 6,698,208	\$ 8,531,854	\$ 7,730,316
Interest	12,595,575	10,444,711	12,024,959	11,015,391	10,961,483
Changes of benefit terms		(41,393)			
Differences between expected and actual experience		(72,440,991)		14,146,966	
Changes of assumptions		(134,145,298)	72,422,368	(53,399,384)	16,177,425
Benefit payments	(4,096,791)	(5,226,394)	(5,465,311)	(5,313,360)	(5,564,433)
Net change in total OPEB liability	11,341,450	(192,598,830)	85,680,224	(25,018,533)	29,304,791
Total OPEB liability - beginning	182,380,057	374,978,887	289,298,663	314,317,196	285,012,405
Total OPEB liability - ending	<u>193,721,507</u>	<u>182,380,057</u>	<u>374,978,887</u>	<u>289,298,663</u>	<u>314,317,196</u>
Plan fiduciary net position:					
Contributions - employer	10,448,800	10,349,000	9,146,000	5,000,000	5,000,000
Contributions - member	443,518	1,477,112	1,155,677	869,481	804,712
Net investment income (loss)	102,507	2,531			
Reimbursements			179,878	241,355	451,135
Benefit payments	(4,096,791)	(6,244,093)	(6,341,967)	(6,185,680)	(6,595,450)
Administrative expense	(83,120)		(5,589)		
Special item					(26,346,000)
Net change in plan fiduciary net position	6,814,914	5,584,550	4,133,999	(74,844)	(26,685,603)
Plan fiduciary net position - beginning	9,118,153	3,533,603	(600,396)	(525,552)	26,160,051
Plan fiduciary net position - ending	<u>15,933,067</u>	<u>9,118,153</u>	<u>3,533,603</u>	<u>(600,396)</u>	<u>(525,552)</u>
Net OPEB Liability - Ending	<u>\$ 177,788,440</u>	<u>\$ 173,261,904</u>	<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	8.22%	5.00%	0.94%	-0.21%	-0.17%
Covered payroll	\$ 46,502,237	\$ 43,143,678	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483
Net OPEB liability as a percentage of covered payroll	382.32%	401.59%	860.95%	665.89%	723.19%

* 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution (1)	\$ 11,673,290	\$ 13,846,000	\$ -	\$ -	\$ 18,458,692	\$ 15,855,000	\$ 14,765,820	\$ 15,755,000	\$ 15,162,000	\$ 14,301,000
Contributions in relation to the actuarially determined contribution	<u>10,448,800</u>	<u>10,349,000</u>	<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>
Contribution deficiency (excess)	\$ <u>1,224,490</u>	\$ <u>3,497,000</u>	\$ <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>
Covered payroll	\$ 46,502,237	\$ 43,143,578	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483	\$ 41,000,000	\$ 41,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Contributions as a percentage of covered payroll	22.47%	23.99%	21.20%	11.48%	11.48%	12.20%	12.20%	13.97%	16.28%	19.83%

(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, 2020

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Asset valuation method	Market Value
Inflation	2.75%
Healthcare cost trend rates	6.50% (6.30% for Post-65) - 4.30% over 53 years
Salary increases	3.5%, average, including inflation
Investment rate of return	6.875%
Retirement age	Expected retirement rates for employees begin at 2% for employees aged 50-55, up to 100% at age 70.
Mortality	Pub-2010 mortality table (using a 75%/25% blend of the Public Safety and General rates) with generational projection per the Ultimate MP-2019 scale.

**THE METROPOLITAN DISTRICT
SCHEDULE OF INVESTMENT RETURNS
RETIREE HEALTH PLAN
LAST FIVE FISCAL YEARS***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.98%	0.08%	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.

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**SUPPLEMENTAL, COMBINING
STATEMENTS AND SCHEDULES**

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**THE METROPOLITAN DISTRICT
ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - CONNECTION CHARGE PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Year</u>	<u>Total Assessments Billed</u>	<u>Assessments Receivable January 1, 2021</u>	<u>Assessments Billed</u>	<u>Assessment Collections</u>	<u>Assessment Adjustments</u>	<u>Assessments Receivable December 31, 2021</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	41,485		1,242	34,411	5,832	411
2004	1,155,681	21,142		8,536		12,606	10,131
2005	804,622	198,093		70,217	122,079	5,797	11,016
2006	1,786,053	14,437		13,809	628	-	2,090
2007	1,120,400	8,763				8,763	
2008	1,108,907	22,406		7,068		15,338	1,351
2009	568,934	18,968		6,770		12,198	1,307
2010	895,500	170,508		30,248		140,260	10,230
2011	333,050	70,909		10,304	8,238	52,367	4,165
2012	139,933	35,065		4,178		30,887	2,104
2013	337,982	6,212		3,017		3,195	373
2014	99,496	37,997		2,341	6,690	28,966	1,615
2015	892,511	91,821		6,535		85,286	5,168
2016	2,138,838	145,507		13,987		131,520	8,498
2017	1,158,191	16,861				16,861	
2018	164,855	27,170		1,799		25,371	689
2019	263,001	21,602		644		20,958	1,695
2020	821,355	805,378		66,946	25	738,407	29,504
2021			188,418	120,595		67,823	875
Total	\$ 18,708,342	\$ 1,773,450	\$ 188,418	\$ 368,236	\$ 178,141	\$ 1,415,491	\$ 91,222

**THE METROPOLITAN DISTRICT
ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - FLAT RATE PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Year</u>	<u>Total Assessments Billed</u>	<u>Assessments Receivable January 1, 2021</u>	<u>Assessments Billed</u>	<u>Assessment Collections</u>	<u>Assessment Adjustments</u>	<u>Assessments Receivable December 31, 2021</u>	<u>Interest Collected</u>
2000	\$ 597,575	\$ 20,375	\$	\$	\$	20,375	\$
2001	514,481	7,950		5,181	2,769	-	
2002	375,756	-				-	
2003	684,750	17,449		3,854		13,595	
2004	714,634	31,412				31,412	
2005	18,097	877				877	
2006	258,777	2,561		2,561		-	154
2007	677,398	32,119		9,193	2,071	20,855	10,907
2008	113,301	36,954		15,638		21,316	11,529
2009	146,490	8,902		651		8,251	171
2010	219,724	14,958		5,764		9,194	821
2011	97,616	25,407		1,633	23,184	590	
2012	53,935	28,654		28,654		-	8,926
2013		-				-	
2014	380,405	64,267		9,021		55,246	1,673
2015	198,421	19,634		851		18,783	693
2016		-				-	
2017	29,506	-				-	
2018	26,131	24,786		1,212	10,461	13,113	831
2019	76,917	-				-	
2020	57,836	69,188		11,264	88	57,836	3,961
2021			310,101	200,018	39,703	70,380	2,511
Total	\$ 5,241,750	\$ 405,493	\$ 310,101	\$ 295,495	\$ 78,276	\$ 341,823	\$ 42,177

**THE METROPOLITAN DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION AND
 OTHER EMPLOYEE BENEFIT TRUST FUNDS
 DECEMBER 31, 2021**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,164,382	\$ 15,098,895	\$ 16,263,277
Accounts receivable	46,226	75,484	121,710
Investments, at fair value:			
Mutual funds	31,750,894	800,026	32,550,920
Guaranteed investment contracts	20,235,638		20,235,638
Land	7,524,349		7,524,349
Commingled collective trusts	198,656,130		198,656,130
Real estate	19,825,932		19,825,932
Total assets	<u>279,203,551</u>	<u>15,974,405</u>	<u>295,177,956</u>
LIABILITIES			
Due to other funds		41,338	41,338
Total liabilities	<u>-</u>	<u>41,338</u>	<u>41,338</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	<u>\$ 279,203,551</u>	<u>\$ 15,933,067</u>	<u>\$ 295,136,618</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, 2021**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 9,133,600	\$ 10,448,800	\$ 19,582,400
Plan members	<u>2,453,012</u>	<u>443,518</u>	<u>2,896,530</u>
Total contributions	<u>11,586,612</u>	<u>10,892,318</u>	<u>22,478,930</u>
Investment earnings:			
Net change in fair value of investments	32,785,373		32,785,373
Interest and dividends	<u>3,123,588</u>	<u>104,638</u>	<u>3,228,226</u>
Total investment earnings (loss)	35,908,961	104,638	36,013,599
Less investment expenses:			
Investment management fees	<u>1,501,266</u>	<u>2,131</u>	<u>1,503,397</u>
Net investment earnings (loss)	<u>34,407,695</u>	<u>102,507</u>	<u>34,510,202</u>
Total additions (reductions)	<u>45,994,307</u>	<u>10,994,825</u>	<u>56,989,132</u>
Deductions:			
Benefits	20,055,043	4,096,791	24,151,834
Administrative expense	<u>82,006</u>	<u>83,120</u>	<u>165,126</u>
Total deductions	<u>20,137,049</u>	<u>4,179,911</u>	<u>24,316,960</u>
Change in Net Position	25,857,258	6,814,914	32,672,172
Net Position at Beginning of Year	<u>253,346,293</u>	<u>9,118,153</u>	<u>262,464,446</u>
Net Position at End of Year	<u>\$ 279,203,551</u>	<u>\$ 15,933,067</u>	<u>\$ 295,136,618</u>

STATISTICAL SECTION

This part of the District's Annual Comprehensive Financial 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	81-84
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	85
This schedule contains information to help the reader assess the District's most significant local revenue source, taxation of member municipalities.	
Debt Capacity	86-88
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	89
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	90-92
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.	

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities:										
Net investment in capital assets	\$ 884,236,060	\$ 846,161,504	\$ 809,558,713	\$ 738,962,237	\$ 628,338,124	\$ 586,568,408	\$ 484,901,567	\$ 455,295,358	\$ 404,221,698	\$ 376,209,555
Restricted	5,200,545	2,744,874	2,744,874	2,744,874				56,291,586	45,369,836	18,025,247
Unrestricted	<u>(27,864,263)</u>	<u>(56,289,770)</u>	<u>(57,460,793)</u>	<u>(41,062,433)</u>	<u>(37,710,011)</u>	79,129,891	97,312,929	32,965,610	41,240,029	44,461,431
Total Governmental Activities Net Position	<u>\$ 861,572,342</u>	<u>\$ 792,616,608</u>	<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>
Business-Type Activities:										
Net investment in capital assets	\$ 307,558,127	\$ 281,225,011	\$ 272,553,110	\$ 284,768,635	\$ 282,355,400	\$ 262,043,055	\$ 267,745,071	\$ 256,080,877	\$ 255,929,765	\$ 258,683,886
Restricted								114,520	3,335,436	282,217
Unrestricted	<u>(108,094,307)</u>	<u>(130,180,132)</u>	<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>	14,004,932
Total Business-Type Activities Net Position	<u>\$ 199,463,820</u>	<u>\$ 151,044,879</u>	<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>
Primary Government:										
Net investment in capital assets	\$ 1,191,794,187	\$ 1,127,386,515	\$ 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
Restricted	5,200,545	2,744,874	2,744,874	2,744,874				56,406,106	48,705,272	18,307,464
Unrestricted	<u>(135,958,570)</u>	<u>(186,469,902)</u>	<u>(239,710,460)</u>	<u>(209,812,952)</u>	<u>(164,394,163)</u>	41,148,468	80,289,675	1,840,737	27,438,204	58,466,363
Total Primary Government Net Position	<u>\$ 1,061,036,162</u>	<u>\$ 943,661,487</u>	<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>

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Governmental activities:										
General government	\$ 9,274,700	\$ 12,632,933	\$ 22,503,242	\$ 3,478,751	\$ 12,782,032	\$ 13,683,241	\$ 12,337,881	\$ 12,784,187	\$ 9,524,064	\$ 8,866,521
Engineering and planning								877,678	486,626	255,872
Operations	20,309,768	19,918,024	32,724,856	11,612,676	15,004,934	25,441,446	6,151,830	8,614,482	5,439,460	6,622,431
Plants and maintenance	49,002,317	49,634,121	71,412,175	32,932,419	43,573,609	46,577,522	29,189,681	34,067,360	30,341,543	32,894,344
Interest on long-term debt	23,827,057	30,987,059	28,064,892	30,746,675	26,066,412	24,217,631	19,489,920	16,263,466	13,271,555	7,936,484
Total governmental activities expenses	<u>102,413,842</u>	<u>113,172,137</u>	<u>154,705,165</u>	<u>78,770,521</u>	<u>97,426,987</u>	<u>109,919,840</u>	<u>67,169,312</u>	<u>72,607,173</u>	<u>59,063,248</u>	<u>56,575,652</u>
Business-type activities:										
Water	60,552,012	73,551,706	107,583,098	124,328,800	91,573,513	84,025,204	84,404,787	79,597,522	68,713,237	63,719,227
Hydroelectricity	289,595	2,037,099	2,116,807	247,281	702,704	827,100	479,326	394,359	345,431	402,924
Mid-Connecticut Project						1,793,246	781,311	2,166,557	6,091,844	11,400,744
Total business-type activities expenses	<u>60,841,607</u>	<u>75,588,805</u>	<u>109,699,905</u>	<u>124,576,081</u>	<u>92,276,217</u>	<u>86,645,550</u>	<u>85,645,424</u>	<u>82,158,438</u>	<u>75,150,512</u>	<u>75,522,895</u>
Total Primary Government Expenses	\$ 163,255,449	\$ 188,760,942	\$ 264,405,070	\$ 203,346,602	\$ 189,703,204	\$ 196,565,390	\$ 152,814,736	\$ 154,765,611	\$ 134,213,760	\$ 132,098,547
Program revenues:										
Governmental activities:										
Charges for services	\$ 82,889,800	\$ 86,709,779	\$ 86,222,994	\$ 73,018,310	\$ 72,013,708	\$ 70,629,736	\$ 61,592,665	\$ 63,885,662	\$ 47,300,004	\$ 41,434,212
Operating grants and contributions	12,406,369	10,111,198					3,992,310	1,039,223		
Capital grants and contributions	24,472,158	23,423,241	53,379,335	49,836,293	64,775,491	51,301,142	32,768,216	26,927,807	26,506,324	12,949,510
Total governmental activities program revenues	<u>119,768,327</u>	<u>120,244,218</u>	<u>139,602,329</u>	<u>122,854,603</u>	<u>136,789,199</u>	<u>121,930,878</u>	<u>98,353,191</u>	<u>91,852,692</u>	<u>73,806,328</u>	<u>54,383,722</u>
Business-type activities:										
Charges for services	102,216,273	106,176,291	92,873,907	79,715,461	82,836,604	75,606,571	74,198,011	77,748,234	79,971,496	74,412,896
Capital grants and contributions	5,828,453	6,651,401	4,949,099	17,337,818	20,596,616	12,285,315	4,827,274	5,227,745	5,145,634	2,546,093
Total business-type activities program revenues	<u>108,044,726</u>	<u>112,827,692</u>	<u>97,823,006</u>	<u>97,053,279</u>	<u>103,433,220</u>	<u>87,891,886</u>	<u>79,025,285</u>	<u>82,975,979</u>	<u>85,117,130</u>	<u>76,958,989</u>
Total Primary Government Program Revenues	\$ 227,813,053	\$ 233,071,910	\$ 237,425,335	\$ 219,907,882	\$ 240,222,419	\$ 209,822,764	\$ 177,378,476	\$ 174,828,671	\$ 158,923,458	\$ 131,342,711
Net revenues (expenses):										
Governmental activities	\$ 17,354,485	\$ 7,072,081	\$ (15,102,836)	\$ 44,084,082	\$ 39,362,212	\$ 12,011,038	\$ 31,183,879	\$ 19,245,519	\$ 14,743,080	\$ (2,191,930)
Business-type activities	47,203,119	37,238,887	(11,876,899)	(27,522,802)	11,157,003	1,246,336	(6,620,139)	817,541	9,966,618	1,436,094
Total Primary Government Net (Revenue) Expense	\$ 64,557,604	\$ 44,310,968	\$ (26,979,735)	\$ 16,561,280	\$ 50,519,215	\$ 13,257,374	\$ 24,563,740	\$ 20,063,060	\$ 24,709,698	\$ (755,836)
General revenues and other changes in net position:										
Governmental activities:										
Sewer taxation - member municipalities	\$ 51,475,700	\$ 51,475,700	\$ 48,153,100	\$ 45,004,000	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200
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	125,549	1,029,927	3,573,305	3,060,821	1,689,115	586,401	272,361	207,637	393,677	245,269
Transfers		(21,803,894)	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
Total governmental activities	<u>51,601,249</u>	<u>30,701,733</u>	<u>69,300,952</u>	<u>65,932,483</u>	<u>(2,948,552)</u>	<u>70,155,208</u>	<u>37,835,338</u>	<u>39,461,307</u>	<u>37,392,250</u>	<u>36,064,459</u>
Business-type activities:										
Miscellaneous	1,149,683	1,620,957			1,906,736	2,130,684	2,204,726	5,661,124	2,160,605	1,010,677
Unrestricted investment earnings	66,139	77,698	270,730	236,085	201,900	40,783	15,338	138,537	110,747	95,296
Transfers		21,803,894	(14,108,504)	(12,366,415)		(28,760,431)		(1,556,735)	(2,144,402)	(2,317,653)
Special item					32,809,473					
Total business-type activities	<u>1,215,822</u>	<u>23,502,549</u>	<u>(13,837,774)</u>	<u>(12,130,330)</u>	<u>34,918,109</u>	<u>(26,588,964)</u>	<u>2,220,064</u>	<u>4,242,926</u>	<u>126,950</u>	<u>(1,211,680)</u>
Total Primary Government	\$ 52,817,071	\$ 54,204,282	\$ 55,463,178	\$ 53,802,153	\$ 31,969,557	\$ 43,566,244	\$ 40,055,402	\$ 43,704,233	\$ 37,519,200	\$ 34,852,779
Change in net position:										
Governmental activities	\$ 68,955,734	\$ 37,773,814	\$ 54,198,116	\$ 110,016,565	\$ 36,413,660	\$ 82,166,246	\$ 69,019,217	\$ 58,706,826	\$ 52,135,330	\$ 33,872,529
Business-type activities	48,418,941	60,741,436	(25,714,673)	(39,653,132)	46,075,112	(25,342,628)	(4,400,075)	5,060,467	10,093,568	224,414
Total Primary Government	\$ 117,374,675	\$ 98,515,250	\$ 28,483,443	\$ 70,363,433	\$ 82,488,772	\$ 56,823,618	\$ 64,619,142	\$ 63,767,293	\$ 62,228,898	\$ 34,096,943

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund:										
Nonspendable	\$ 4,119,875	\$ 3,715,448	\$ 3,403,852	\$ 3,065,322	\$ 2,851,003	\$ 3,047,848	\$ 2,987,472	\$ 2,654,631	\$ 1,980,172	\$ 1,387,243
Assigned									891,949	573,120
Unassigned	<u>25,589,950</u>	<u>28,491,582</u> *	<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>
Total General Fund	<u>\$ 29,709,825</u>	<u>\$ 32,207,030</u>	<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>
All other governmental funds:										
Nonspendable	\$	\$	\$	\$	\$ 53,957	\$ 183,283	\$ 319,960	\$ 17,034	\$ 19,951	\$ 42,748
Restricted	5,200,545	2,744,874	2,744,874	100,879,288	120,176,898	129,078,070	155,110,707	149,816,144	20,450,646	79,566,079
Committed	102,607,222	65,115,865 *	100,487,052	9,827,026	76,741,076	50,808,229	2,637,663	3,310,650	3,141,343	10,286,298
Unassigned		<u>(31,175,587)</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>
Total All Other Governmental Funds	<u>\$ 107,807,767</u>	<u>\$ 36,685,152</u>	<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>

* Restated in current year

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Taxation - member municipalities	\$ 51,475,700	\$ 51,475,700	\$ 48,153,100	\$ 45,004,000	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200
Assessments	3,257,067	1,071,240	696,265	458,413	1,519,217	2,312,965	1,332,938	1,603,914	1,085,603	504,330
Sewer user fees	77,362,758	83,717,134	77,482,872	63,888,022	62,678,046	60,242,461	54,093,916	57,226,390	43,062,080	35,225,903
Intergovernmental revenues	39,557,271	33,534,439	30,203,841	53,890,725	69,199,739	55,232,126	39,706,369	29,610,377	26,439,377	16,312,586
Investment income	125,549	1,029,927	3,573,305	3,060,820	1,689,115	586,401	272,361	207,637	393,677	245,269
Other local revenues	2,750,512	1,363,443	5,945,349	8,385,615	6,063,916	4,022,343	2,473,789	4,051,117	1,807,930	2,254,580
Total revenues	<u>174,528,857</u>	<u>172,191,883</u>	<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>
Expenditures:										
Current:										
General government	5,002,410	4,446,417	4,548,043	4,762,419	3,436,145	3,918,725	5,471,054	4,824,078	4,071,317	4,114,155
Engineering and planning								247,304	36,396	118,517
Operations	4,463,088	3,573,467	3,745,528	3,918,542	2,313,810	6,343,886	1,447,931	1,432,213	1,802,090	1,679,661
Plants and maintenance	20,753,614	19,643,333	18,150,755	15,144,347	20,148,645	17,673,827	17,002,752	16,780,068	19,078,105	21,555,352
Employee benefits and other	18,298,717	16,194,956	15,335,071	11,162,192	10,881,861	11,034,670	7,196,385	8,900,673	8,435,751	8,183,275
Debt service:										
Principal retirement	58,903,168	58,091,086	61,289,866	45,242,984	36,642,960	32,141,853	28,706,882	22,808,465	19,193,477	13,865,151
Interest	34,316,367	32,379,979	32,347,160	31,071,486	28,182,268	25,398,643	22,011,825	15,323,178	11,792,099	8,025,733
Legal services	-	939,475								
Capital outlay	109,999,550	114,163,376	148,118,412	185,211,071	243,634,827	228,529,877	160,991,417	172,024,423	163,835,773	157,029,034
Total expenditures	<u>251,736,914</u>	<u>249,432,089</u>	<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>
Deficiency of revenues over expenditures	<u>(77,208,057)</u>	<u>(77,240,206)</u>	<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>
Other financing sources (uses):										
Bond proceeds	275,796,690	55,010,000	38,395,250	62,591,950		85,331,650	39,070,781	167,578,000	126,838,000	
Refunding bond proceeds	6,183,180	76,065,000	58,603,410			18,301,300		9,931,648		
Payment to refunded bond escrow agent	(7,458,978)	(76,935,985)	(68,712,098)			(21,140,765)		(10,757,266)		
Loan obligation proceeds	39,913,700	30,267,733	46,067,106	79,135,454	127,654,336	91,409,817	66,766,625	36,841,772	40,364,999	29,162,137
Bond premium	30,787,114	15,448,049	7,049,505	7,411,503		5,933,457	3,352,904	24,934,481	9,952,391	
Payment for clean water loan escrow agent	(200,711,137)	(49,825,431)								
Premium on refunding bonds	1,322,898		10,539,988			2,964,849		840,228		
Transfers in	94,234,053	91,788,595	119,345,479	91,667,990	62,444,100	80,984,336	52,502,525	36,915,679	46,793,697	36,778,838
Transfers out	(94,234,053)	(113,592,489)	(93,198,519)	(74,579,373)	(62,444,100)	(52,223,905)	(52,502,525)	(35,358,944)	(44,433,983)	(33,970,804)
Total other financing sources	<u>145,833,467</u>	<u>28,225,472</u>	<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>
Net change in fund balances	68,625,410	(49,014,734)	610,018	44,402,078	(34,765,747)	47,859,854	1,687,837	117,441,231	58,858,163	(94,564,839)
Fund balance at beginning of year	68,892,182 *	131,335,645	130,725,627	86,323,549	121,089,296	73,229,442	71,541,605 *	(61,697,403)	(120,825,566)	(26,260,727)
Fund Balance at End of Year	<u>\$ 137,517,592</u>	<u>\$ 82,320,911</u>	<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>
Debt Service as a Percentage to Noncapital Expenditures	61.53%	60.72%	62.53%	61.39%	53.78%	49.22%	63.02%	50.10%	50.95%	36.69%
Total Debt Service	\$ 93,219,535	\$ 91,410,540	\$ 93,637,026	\$ 76,314,470	\$ 64,825,228	\$ 57,540,496	\$ 50,718,707	\$ 38,131,643	\$ 30,985,576	\$ 21,890,884
Capitalized capital outlay	(100,222,938)	(98,882,354)	(133,794,027)	(172,201,352)	(224,712,443)	(208,127,036)	(162,349,655)	(166,226,160)	(167,432,856)	(153,268,996)
Noncapital expenditures	151,513,976	150,549,735	149,740,808	124,311,689	120,528,073	116,914,445	80,478,591	76,114,242	60,812,152	59,668,205

*Restated in current year

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

Year	Hartford	East Hartford	Newington	Wethersfield	Windsor	Bloomfield	Rocky Hill	West Hartford	Total Tax Levy
2021	25.58 % \$ 13,169,100	11.69 % \$ 6,015,200	9.09 % \$ 4,681,000	8.19 % \$ 4,214,100	8.84 % \$ 4,551,500	7.40 % \$ 3,808,100	61.16 % \$ 3,171,200	23.05 % \$ 11,865,500	\$ 51,475,700
2020	25.32 13,035,400	11.83 6,089,300	8.98 4,623,100	8.24 4,240,800	8.96 4,611,600	7.54 3,879,300	6.11 3,144,100	23.02 11,852,100	51,475,700
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	22.88 10,298,600	9.98 4,490,100	7.30 3,287,300	6.71 3,022,000	7.16 3,222,600	6.12 2,752,400	4.79 2,153,700	18.26 8,219,700	37,446,400
2014	24.90 10,374,400	10.11 4,213,200	7.52 3,132,300	6.78 2,824,400	7.47 3,111,900	6.27 2,612,500	5.01 2,089,100	18.72 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

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			
2021	\$ 339,049,664	\$ 435,416,291	\$ 325,405,000	\$ 71,737,964	\$ 283,805,337	\$ 56,789,941	\$ 35,553,534	\$ 1,547,757,731	11.87%	\$ 4,249
2020	301,040,982	476,391,446	252,350,000	68,379,540	246,359,019	49,861,600	28,687,419	1,423,070,006	11.23%	3,921
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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt limit	\$ 1,366,406,598	\$ 1,317,246,191	\$ 1,298,953,045	\$ 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
Total net debt applicable to limit	<u>802,420,538</u>	<u>897,446,518</u>	<u>923,986,892</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>
Legal Debt Margin	<u>\$ 563,986,060</u>	<u>\$ 419,799,673</u>	<u>\$ 374,966,153</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>
Total net debt applicable to the limit as a percentage of debt limit	58.72%	68.13%	71.13%	73.96%	75.07%	72.93%	59.54%	42.49%	49.42%	45.96%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the District exceed 5% of the combined grand list of District member municipalities.
The calculation of the 2020 debt limit can be found on Table 8 of this report.

**THE METROPOLITAN DISTRICT
SCHEDULE OF DEBT LIMITATION AND LEGAL DEBT MARGIN
DECEMBER 31, 2021**

Schedule of Debt Limitation

Combined 2021 Grand List of Member Municipalities of the District		\$ <u>27,328,131,951</u>
Debt Limit, 5% thereof		1,366,406,598
Total Outstanding Debt, December 31, 2021:		
Water General Obligation Bonds	\$ 195,818,815	
DWSRF Project Loan Obligations	46,390,346	
Sewer General Obligation Bonds	224,388,593	
CWF Project Loan Obligations	26,263,904	
Clean Water Project General Obligation Bonds (B)	30,125,000	
Clean Water Project Revenue Bonds (B)	325,405,000	
Clean Water Project CWF Project Loan Obligations (B)	362,483,218	
Combined General Obligation Bonds	<u>172,522,593</u>	
Total Direct-Long-Term Indebtedness	<u>1,383,397,469</u>	
DWSRF Interim Funding Obligation	11,921,606	
CWF Interim Funding Obligation (B)	<u>74,623,752</u>	
Total Direct Short-Term Indebtedness	<u>86,545,358</u>	
Total Direct Indebtedness	<u>1,469,942,827</u>	
Less Outstanding Debt Not Subject to Debt Limitation:		
Water Bonds (A)	195,818,815	
DWSRF Project Loan Obligations	46,390,346	
DWSRF Interim Funding Obligations	11,921,606	
Clean Water Project Revenue Bonds (B)	325,405,000	
Water's Share of Combined General Obligation Bonds	<u>87,986,522</u>	
Total Outstanding Debt Not Subject to Debt Limitation	<u>667,522,289</u>	
Total Debt Subject to Debt Limitation		<u>802,420,538</u>
Excess of Charter Debt Limitation Over Outstanding Debt		<u>\$ 563,986,060</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 \$1.759 billion for the District's Clean Water Project will be supported by a Special Sewer Service Surcharge levied annually and added to customers' water bills.

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

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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2021*	364,263	\$ 13,034,465,340	\$ 35,783	38.9	48,826	8.92%
2020	362,937	12,667,977,702	34,904	38.6	50,732	9.88%
2019	364,173	11,617,225,185	31,900	38.4	51,749	6.08%
2018	364,869	11,454,126,993	31,392	38.4	52,260	5.18%
2017	364,393	11,070,762,172	30,381	38.3	52,921	6.14%
2016	365,289	11,143,038,584	30,505	38.2	55,234	6.84%
2015	366,470	11,026,722,853	30,089	38.1	53,358	7.64%
2014	366,406	10,835,873,742	29,573	38.0	53,860	9.64%
2013	366,019	10,731,053,662	29,318	38.0	53,899	10.53%
2012	366,257	10,598,647,554	28,938	38.1	54,782	10.58%

Sources:

Town ACFRs

Any information not contained in ACFRs was taken from the US Census Bureau
or The Department of Labor

TABLE 10

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Officials/administrators	30	28	36	31	32	34	32	33	31	34
Other administrative	30	32	33	31	30	32	33	35	34	36
Professional/technical	162	162	160	164	166	170	174	172	167	172
Protective service	6	12	10	8	8	8	8	9	9	9
Skilled craft, service/maintenance	<u>234</u>	<u>227</u>	<u>240</u>	<u>240</u>	<u>246</u>	<u>265</u>	<u>275</u>	<u>275</u>	<u>278</u>	<u>289</u>
Total	<u>462</u>	<u>461</u>	<u>479</u>	<u>474</u>	<u>482</u>	<u>509</u>	<u>522</u>	<u>524</u>	<u>519</u>	<u>540</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: Budget analysis from data provided by Human Resources

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<u>Water Operations</u>										
Miles of water mains added	0.63	0.12	3.04	3.71	0.77	1.56	2.10	5.58	2.00	1.00
Total miles of water mains	1,579	1,562	1,562	1,557	1,554	1,553	1,551	1,549	1,543	1,541
Water connections made	101,816	101,731	102,184	102,051	101,836	101,599	101,446	101,217	102,669	102,449
Average daily consumption (millions of gallons)	45.98	47.63	45.80	37.34	39.30	39.59	40.07	42.02	40.25	42.27
Maximum consumption (millions of gallons daily)	65.46	69.89	63.65	68.80	61.70	71.94	70.09	69.59	71.84	74.68
Minimum consumption (millions of gallons daily)	38.62	38.15	38.94	37.84	39.20	39.9	37.57	38.46	35.85	35.19
Number of hydrants	10,189	10,216	10,166	10,720	10,329	10,197	11,238	11,484	11,238	11,178
Number of meters	100,608	100,452	98,250	99,946	98,239	102,987	101,400	102,828	103,340	103,125
Plant capacity (millions of gallons)	126	126	126	126	126	126	126	126	126	126

Source: MDC Budgets

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<u>Sewer Operations</u>										
Miles of sewer mains added	0.92	2.43	0.81	1.20	(0.34)	1.57	2.89	2.80	3.37	2.29
Total miles of sanitary sewers	1,095.61	1,092.67	1,090.24	1,089.43	1,088.23	1,088.57	1,087.47	1,084.04	1,081.24	1,077.87
Miles of combined sewers	149	159	159	159	159	159	159	160	160	160
Miles of storm sewers	105	79	79	79	78	79	79	76	76	73
Sewer connections made	91,506	91,376	91,208	91,037	91,011	90,728	90,566	90,666	90,220	90,035
Average daily flow (millions of gallons)	80.35	72.30	79.42	80.70	65.20	56.70	60.50	65.30	66.00	60.30
Plant capacity (millions of gallons)	85	105	105	105	105	105	105	105	105	105

Source: MDC Budgets