



The Metropolitan District
water supply · environmental services · geographic information

**BOARD OF FINANCE
SPECIAL MEETING
WEDNESDAY, JULY 7, 2021
4:00 PM**

**IN ACCORDANCE WITH GOVERNOR LAMONT'S EXECUTIVE ORDER #7B
THIS MEETING WILL INCLUDE TELEPHONIC ATTENDANCE
Dial in #: (415)-655-0001; Access Code: 43808661#
[Meeting Link](#)**

The general public is welcome to call into the meeting. Everyone on the call will need to mute their phone to limit background noise disrupting the meeting.

<u>Location</u>	<u>Commissioners</u>	<u>Citizen Members</u>
Board Room	Adil	Angelo
District Headquarters	Currey	Gentile
555 Main Street, Hartford	DiBella (Ex-Officio)	King-Corbin
	Hoffman (VC)	Tsegai
	Salemi (C)	
	Quorum: 5	

1. CALL TO ORDER
2. PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS
3. APPROVAL OF MEETING MINUTES OF MAY 12, 2021
4. DISCUSSION RE: 2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT
5. CONSIDERATION AND POTENTIAL ACTION RE: 2021 REVENUE BONDS
6. CONSIDERATION AND POTENTIAL ACTION RE: 2021 GENERAL OBLIGATION BONDS
7. OPPORTUNITY FOR GENERAL PUBLIC COMMENTS
8. COMMISSIONER COMMENTS & QUESTIONS
9. ADJOURNMENT



CliftonLarsonAllen LLP
CLAconnect.com

To the Board of Finance
The Metropolitan District
Hartford, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Metropolitan District as of and for the year ended December 31, 2020, and have issued our report thereon dated . We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Metropolitan District are described in Note 1 to the financial statements.

The application of existing policies was not changed during 2020.

As described in Note 1, the entity changed accounting policies related to Fiduciary Activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, Fiduciary Activities, in 2020.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Management's estimate of the net pension liability and the net other post-employment benefit (OPEB) liability is based on actuarial valuations utilizing various assumptions and estimates approved by management.
- Management's estimate of the allocation of the net pension liability and OPEB liability between governmental activities and business-type activities.

- Management's estimate of the useful lives of governmental activities and business-type activities capital assets, which are used in computing depreciation in the government-wide and proprietary fund financial statements.
- Management's estimate of the liability for claims incurred but not reported (IBNR) in the self-insurance fund is based on information from the insurance provider regarding claims.
- Management's estimate of the allowance for doubtful accounts related to sewer use/water billings receivable is based on certain historical data and currently known information.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated June 25, 2021.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated .

With respect to the individual fund financial statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 25, 2021.

To the Board of Finance
The Metropolitan District
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The introductory section and statistical tables accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

* * *

This communication is intended solely for the information and use of the Board of Finance and management of The Metropolitan District and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
June 21, 2021

AUDIT DIFFERENCE EVALUATION FORM BY OPINION UNIT

Name of Governmental Unit: The Metropolitan District
Opinion Unit: Governmental Activities

Financial Statement Date

12/31/2020

Instructions

This form can be used to accumulate known and likely audit differences by opinion unit detected by nonsampling substantive procedures (including differences in accounting estimates) and projected audit differences from substantive procedures that used sampling. This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually. This form should not include normal closing entries that the client expects the auditor to prepare and to book. A separate Misstatement opinion unit. Thus, a separate Audit Difference Evaluation Form should be prepared for each opinion unit. See the last TAB for a listing of qualitative considerations in evaluating materiality.

Description (Nature) Of Misstatement	Cause	Amount	W/P Ref.	Adjustment to correct Dr/(Cr)						Expenses
				Total Assets	Deferd Outflows	Total Liabilities	Deferred Inflows	Net Position	Revenues	
The assessment value was overstated on the general ledger due to the conversion from the NOVAK billing system to the SAP/FI-CA system causing duplicate entries.	Overstatement of assessment revenue	134,139	4300-01					(134,139)	134,139	
The internal service fund is 100% allocated to business-type even though contributions are made by both business-type and governmental type funds.	Reevaluation between business type and governmental type activities	0	ISF-00	3,845,745	0	0	0	0	0	(3,845,745)
Total		\$134,139		\$3,845,745	\$0	\$0	\$0	(\$134,139)	\$134,139	(\$3,845,745)
Client corrections in total										
Net unadjusted misstatement - This year		\$134,139		\$3,845,745	\$0	\$0	\$0	(\$134,139)	\$134,139	(\$3,845,745)
Net effect - Current year Financials		\$134,139		\$3,845,745	\$0	\$0	\$0	(\$134,139)	\$134,139	(\$3,845,745)
Financial Statement Caption Totals				2,130,230,524	32,229,940	(1,280,775,053)	(89,068,803)	(754,842,794)	(150,945,951)	113,172,137

AUDIT DIFFERENCE EVALUATION FORM BY OPINION UNIT

Name of Governmental Unit: The Metropolitan District **Financial Statement Date** 12/31/2020
Opinion Unit: Capital Project Fund

Instructions

This form can be used to accumulate known and likely audit differences by opinion unit detected by opinion unit detected by nonsampling substantive procedures (including differences in accounting estimates) and projected audit differences from substantive procedures that used sampling. This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually. This form should not include normal closing entries that the client expects the auditor to prepare and to book. A separate Misstatement opinion unit. Thus, a separate Audit Difference Evaluation Form should be prepared for each opinion unit. See the last TAB for a listing of qualitative considerations in evaluating materiality.

Description (Nature) Of Misstatement	Cause	Amount	W/P Ref.	Adjustment to correct Dr/(Cr)					Revenues	Expens- itures
				Total Assets	Deferred Outflows	Total Liabilities	Deferred Inflows	Fund Balance		
The assessment value was overstated on the general ledger due to the conversion from the NOVAK billing system to the SAPI/FI-CA system causing duplicate entries.	Overstatement of assessment revenue	134,139	4300-01					(\$134,139)	134,139	
Total		\$134,139		\$0		\$0		(\$134,139)	\$134,139	\$0
Client corrections in total		\$0		\$0		\$0		\$0	\$0	\$0
Net unadjusted misstatement - This year		\$134,139		\$0		\$0		(\$134,139)	\$134,139	\$0
Net unadjusted misstatement - Last year		\$0		\$0		\$0		\$0	\$0	\$0
Net effect - Current year Financials		\$134,139		\$0		\$0		(\$134,139)	\$134,139	\$0
Financial Statement Caption Totals				25,038,983	0	(\$53,600,689)	(\$2,613,881)	(7,124,915)	(\$2,929,850)	41,230,352
Audit Differences as a % of FS Captions				0.00%	#DIV/0!	0.00%	0.00%	1.88%	-4.58%	0.00%

AUDIT DIFFERENCE EVALUATION FORM BY OPINION UNIT

Name of Governmental Unit: The Metropolitan District **Financial Statement Date** 12/31/2020
Opinion Unit: Water Utility Fund

Instructions

This form can be used to accumulate known and likely audit differences by opinion unit detected by nonsampling substantive procedures (including differences in accounting estimates) and projected audit differences from substantive procedures that used sampling. This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually. This form should not include normal closing entries that the client expects the auditor to prepare and to book. A separate Misstatement opinion unit. Thus, a separate Audit Difference Evaluation Form should be prepared for each opinion unit. See the last TAB for a listing of qualitative considerations in evaluating materiality.

Description (Nature) Of Misstatement	Cause	Amount	W/P Ref.	Adjustment to correct Dr/(Cr)									
				Total Assets	Deferred Outflow	Total Liabilities	Deferred Inflow	Net Position	Revenues	Expenses			
Assets are overstated as Conduit Goodwin Dam should be written off as of year end.	Client analysis subsequent to year end.	1,601,842	0500-13	(1,601,842)								1,601,842	
Total		\$1,601,842		(1,601,842)				\$0		\$0		\$0	\$1,601,842
Client corrections in total													
Net unadjusted misstatement - This year		\$1,601,842						\$0		\$0		\$0	\$1,601,842
Net unadjusted misstatement - Last year													
Net effect - Current year Financials		\$1,601,842		(1,601,842)				\$0		\$0		\$0	\$1,601,842
Financial Statement Caption Totals				748,769,724	42,579,595	(531,693,564)	(120,922,256)	(88,375,359)	(137,007,482)	86,649,362			

**THE METROPOLITAN
DISTRICT**

Hartford County
Hartford, Connecticut

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**



Year Ended December 31, 2020

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

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

Year Ended December 31, 2020

Finance Department

**THE METROPOLITAN DISTRICT
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INTRODUCTORY SECTION



The Metropolitan District
water supply · environmental services · geographic information

June 25, 2021

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 of The Metropolitan District (hereafter, "the District" or "the MDC") for fiscal year end December 31, 2020.

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, 2020. The independent accountant's report is located in the front of the financial statement section of this report.

The MDC's fiscal year 2020 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 as a specially chartered municipal corporation of the State of Connecticut under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended (the "MDC Charter"). The member municipalities incorporated in the District are the City of Hartford and the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor (the "Member Municipalities"). The District's purpose is to provide a complete, adequate and modern system of water supply and sewage collection, treatment and disposal for its Member Municipalities. Additionally, because of a Charter amendment approved by the Connecticut General Assembly in 1979, the District is also empowered to construct, maintain, and operate hydroelectric dams. The District also provides sewage disposal and supplies water, under special agreements, to portions of several non-member towns as well as various state facilities. These towns currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor, Unionville and Windsor Locks.

The District Board

A 33-member Board of Commissioners, referred to as the District Board, governs the District. The Member Municipalities appoint seventeen of the commissioners, eight are appointed by the Governor, and four are appointed by the leadership of the Connecticut State Legislature. Four nonvoting commissioners are appointed from the nonmember municipalities, one each from Glastonbury, South Windsor, East Granby and Farmington. All commissioners serve without remuneration for a term of six years.

Powers and Responsibilities of the District Board

The District Board is authorized to establish ordinances and bylaws; organize committees and bureaus; define the powers and duties of such bodies; fix salaries and define the duties of all officers and employees; appoint deputies to any officers or agents of the District; and issue negotiable bonds, notes or other certificates of debt to meet the cost of public improvements or to raise funds in anticipation of taxes or water revenue, which debt shall be obligations of the District and its inhabitants. The District Board has the authority to establish rates for the use of water to support its water supply, treatment and distribution functions, and the power to levy a tax upon the Member Municipalities to finance the operational and capital budget relating to sewage collection, treatment and disposal. The District Board refers a proposed budget of revenues and expenditures to the Board of Finance annually. The Board of Finance reviews the proposed budget, makes adjustments if desired, and refers it back to the District Board for final review, changes as necessary, and enactment.

Consumer Advocate

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

Administration

Responsibility for the overall administration and management of District policy, operations and services rests with the Chief Executive Officer. The Chief Executive Officer has direct responsibility for the Human Resources and Communications functions and manages the remaining functions through the Chief Operating Officer (“COO”) and Chief Administrative Officer (“CAO”). The COO has responsibility for design and construction of the District’s Clean Water Project, Asset Management and capital planning programs, engineering, maintenance, operations, water pollution control, water treatment and supply, patrol and environment, health and safety functions of the District. The CAO has responsibility for the District’s procurement, accounting, budgeting, treasury, risk management functions, information technology and customer service.

Local Economy

The Member Municipalities of the MDC are a mixture of urban and suburban communities with an aggregate population of approximately 363,000 people, and median family incomes ranging from \$42,536 to \$138,365. These diverse Member Municipalities comprise a strong and stable service area as evidenced by 10.52% growth in the combined equalized grand lists from 2013 to 2018, according to the State of Connecticut Office of Policy and Management. The combined grand lists not only reflect single family residences and multifamily housing units, but also include major industries such as manufacturers of technology products, building systems and aerospace industries, hospitals, universities, utilities and several financial institutions and insurance companies.

Economic conditions generally affecting the State of Connecticut have a significant impact on the District's Member Municipalities and on employment opportunities for area residents.

In 2020, the COVID-19 pandemic had a significant adverse impact on the national and state economies. More recently there have been signs of an incipient economic recovery, with Connecticut experiencing significant growth in median home sales and Gross Domestic Product (GDP). This has been fueled by a surge in stock prices, a net migration of individuals relocating here from New York City, and increasing consumer confidence. However, certain sectors such as hospitality and leisure have lagged, with those individuals continuing to experience some of the highest unemployment rates.

The District continues to collaborate with state and federal agencies to ensure that we follow all appropriately determined COVID-19 pandemic protocols. The District has not experienced any significant decrease in water usage or revenue, and continues to maintain uninterrupted water and wastewater services. We expect that trend to continue. Internally, the District has successfully modified its manner of operations to ensure the health and safety of its workforce and the public, and put itself in a position to adapt to further changes as necessary or as may be required by federal and state regulators.

Otherwise, for some time prior to the COVID-19 outbreak, the State and the Greater Hartford region had suffered from a prolonged period of economic stagnation.

The region's economic performance from 2007 to 2017 trailed the US economy, experiencing almost no post-recession growth. A recent study commissioned by the Capital Region Council of Governments (CRCOG) forecasts that economic growth will continue to lag.

Within the last decade, the local MDC labor market area experienced high unemployment rates, ranging from 5.18% in 2018 to 11.52% in 2011. The MDC labor market area unemployment rate had followed the same downward trend as the United States national unemployment rate since the beginning of 2011; however, the MDC labor market area unemployment rate had been approximately 25% higher than the national average prior to 2018, reflecting the area's slower recovery from the national recession. Due to the COVID-19 pandemic, unemployment for the labor market area spiked at 11.4% in July 2020 and the calendar year 2020 average was 9.8% unemployment. For April 2021, the state's overall unemployment was 7.6% and the MDC labor market area is was 9.4%.

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. The Member Municipalities, for the most part, have retained their strong financial positions by adopting a proactive approach to dealing with the reduced funding levels from the State of Connecticut. Seven of the eight MDC Member Municipalities have ratings that are Aa2 (Moody's) or AA (S&P) or higher, and comprise 74.68% of the total Ad Valorem distribution as of 2020. Of those seven, two of our municipalities comprising 31.98% of the total Ad Valorem distribution carry Aaa (Moody's) or AAA (S&P) ratings.

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 (42.66% of total general fund revenues). In August 2019, the District Board adopted a formal policy which seeks to maintain a general fund balance between 32 and 36 percent of total general fund revenues. Through prudent planning and funding, the Metropolitan District Employee's Retirement System (MDERS), under GASB 67, has a plan fiduciary net position as a percentage of total pension liability of 81.54% as of December 31, 2020. Collectively, these measurements illustrate the financial strength of the District. In addition, based upon the Debt Limitation as outlined in the MDC Charter, as of December 31, 2020, the District had \$419.80 million of available borrowing capacity. The District expects to continue to meet its significant operational and capital obligations while striving to maintain one of the region's lowest water and sewerage rate structures.

Major Initiative: Evolution of the Clean Water Project

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

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

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

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

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MDC for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2019. This prestigious award is conferred upon government entities who publish an easily readable and efficiently organized Annual Comprehensive Financial Report 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 Annual Comprehensive Financial Report continues to meet the rigorous standards that the Certificate of Achievement Program requires and the MDC is submitting to the GFOA to determine its eligibility for a certificate for this current year's report.

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

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

The District 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.

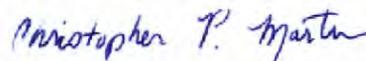
Conclusion

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 the Strategic Plan.

Sincerely,



Scott W. Jellison
Chief Executive Officer



Christopher P. Martin
Director of Finance / Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**The Metropolitan District
Connecticut**

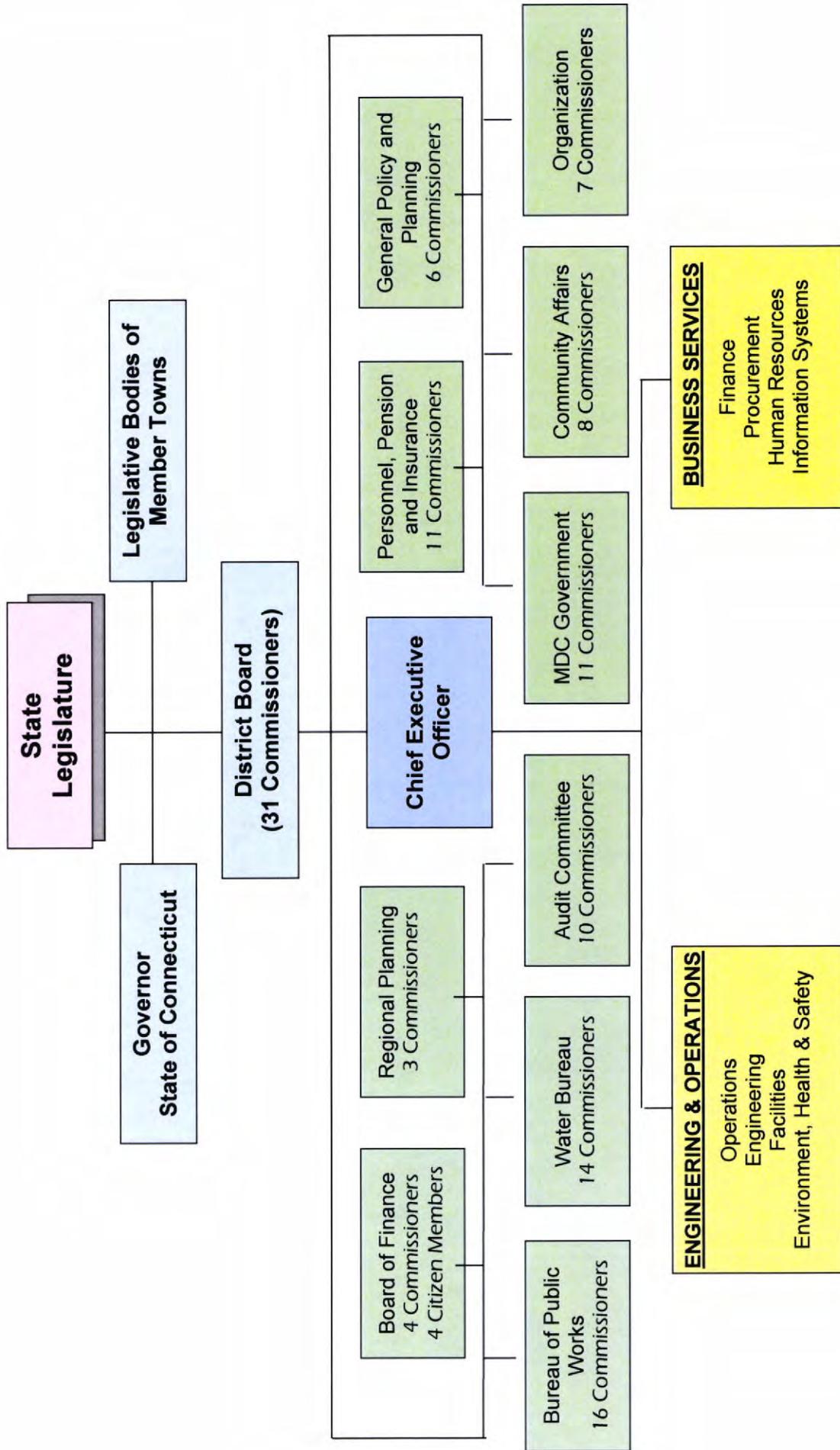
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO

The Metropolitan District
Hartford County
Organization Chart



**THE METROPOLITAN DISTRICT
THE DISTRICT BOARD**

Name	Primary Occupation	Municipality Represented	Term Expires	Bureaus, Boards, Committees
William A. DiBella, Chairman	Consultant	Hartford	12-31-2020	Ex-Officio Member of all Bureaus, Boards, Commissions and Standing Committees
Maureen Magnan, Vice Chairman	Special Projects/ Government Affairs	West Hartford	12-31-2020	Bureau of Public Works, General Policy and Planning, Committee on MDC Government, Personnel, Pension & Insurance Committee, Community Affairs Committee, CRRRA Steering Committee
Andrew Adil	Investment Advisor	Wethersfield	12-31-2024	Bureau of Public Works, Water Bureau, Board of Finance, Strategic Planning Committee
John Avedisian	Plant Metallurgist	Windsor	12-31-2022	Bureau of Public Works, Committee on MDC Government, 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
Richard Bush	Self-Employed/ Real Estate and Property Management Owner	West Hartford	12-31-2022	Bureau of Public Works, Strategic Planning Committee
Daniel Camilliere	Retired	Wethersfield	12-31-2020	Water Bureau, Committee on Organization, Personnel, Pension and Insurance Committee, Community Affairs Committee, Commission on Regional Planning, Strategic Planning Committee
Donald Currey	Retired	East Hartford	12-31-2024	Bureau of Public Works, General Policy & Planning, Board of Finance, Committee on Organization, Personnel, Pension and Insurance Committee, Audit Committee
Peter Gardow	Principal Engineer	Legislative Appointee	12-31-2020	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
Georgiana E. Holloway	Retired	Hartford	12-31-2020	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	District Board Only
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, Strategic Planning Committee
Jackie Gorsky Mandyck		West Hartford	12-31-2024	Water Bureau, Audit Committee
Michael Maniscalco	Town Manager	South Windsor	12-31-2019*	District Board Only
Alphonse Marotta	Retired	Hartford	12-31-2022	Bureau of Public Works, Committee on MDC Government, Personnel, Pension and Insurance Committee, Commission on Regional Planning, Audit Committee, Strategic Planning Committee
Domenic Pane	Self-Employed Owner/ President	Newington	12-31-2022	Bureau of Public Works, Water Bureau, General Policy & Planning, Personnel, Pension and Insurance Committee, Audit Committee, Strategic Planning Committee
Bhupen Patel	Retired	Newington	12-31-2020	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
Michael Solomonides	Marketing Manager	Farmington	12-31-2020	District Board Only
Raymond Sweezy	Retired	Rocky Hill	12-31-2024	Bureau of Public Works, Water Bureau, General Policy & Planning, Committee on Organization, Personnel, Pension & Insurance Committee, Community Affairs, Commission on Regional Planning, Audit Committee, Strategic Planning Committee
Alvin E. Taylor	Retired	Legislative Appointee	12-31-2021	Bureau of Public Works, Water Bureau, General Policy & Planning, Committee on MDC Government, Committee on Organization, Personnel, Pension & Insurance Committee, Community Affairs Committee, Audit Committee, CRRA Steering Committee, Strategic Planning Committee
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
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, 2020*

	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 was vacant as of 12/31/2020

THE METROPOLITAN DISTRICT

HARTFORD COUNTY
BOARD OF FINANCE

	<u>Term Expires</u>
William A. DiBella (Ex-Officio)	12-31-2020
Andrew Adil	12-31-2024
Donald Currey	12-31-2024
Allen Hoffman	12-31-2024
Pasquale J. Salemi	12-31-2022
Ronald F. Angelo	12-31-2021
Joan McCarthy Gentile	12-31-2021
Linda A. King-Corbin	12-31-2021
Awet Tsegai	12-31-2021

FINANCIAL SECTION



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

To the Board of Finance
The Metropolitan District
Hartford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Metropolitan District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Other Information

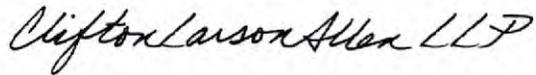
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Metropolitan District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

West Hartford, Connecticut
June 25, 2021

**The Metropolitan District
Management's Discussion and Analysis
December 31, 2020**

The management of the Metropolitan District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- On a government-wide basis, the assets of the District exceeded its liabilities at the close of the current year by \$792,616,608 and \$151,044,879 for Governmental Activities and Business-Type Activities, respectively.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$82,320,911 a decrease of \$49,014,734 in comparison with the prior year.
- On a government-wide basis, the District's total net position increased by \$37,773,814 and \$60,741,436 for the Governmental Activities and Business-Type Activities, respectively.
- Deferred outflows of resources of the District were \$32,229,940 and \$42,579,595 for the Governmental Activities and Business-Type Activities, respectively. Deferred inflows of resources of the District were \$89,068,803 and \$120,922,256 for the Governmental Activities and Business-Type Activities, respectively.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been provided for the General Fund to demonstrate compliance with this budget. These can be found on pages 61-63 of this report.

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

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-60 of this report.

Supplemental Combining Statements and Schedules

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the District, assets exceeded liabilities by \$792,616,608 and \$151,044,879 for the Governmental Activities and Business-Type Activities, respectively, at the close of the most recent fiscal year.

By far the largest portion of the District's assets is its investment in capital assets (e.g., infrastructure, plants, machinery and equipment). It is presented in the statement of net position less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets, net of accumulated depreciation, is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Set out below is a comparison of the District's net position at the end of fiscal 2020 compared to the prior year, and the changes in net position for fiscal 2019, compared to the prior year.

The Metropolitan District NET POSITION December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and other assets	\$ 159,323,886	\$ 119,634,345	\$ 278,958,231	\$ 154,142,887	\$ 79,608,216	\$ 233,751,103
Capital assets, net of accumulated depreciation	1,970,906,638	648,901,852	2,619,808,490	1,905,798,421	608,196,939	2,513,995,360
Total assets	<u>2,130,230,524</u>	<u>768,536,197</u>	<u>2,898,766,721</u>	<u>2,059,941,308</u>	<u>687,805,155</u>	<u>2,747,746,463</u>
Deferred outflows of resources	32,229,940	42,579,595	74,809,535	34,709,913	46,713,175	81,423,088
Current liabilities	82,128,023	65,558,474	147,686,497	28,143,066	7,448,060	35,591,126
Long-term liabilities outstanding	1,198,647,030	473,590,183	1,672,237,213	1,293,425,040	612,291,938	1,905,716,978
Total liabilities	<u>1,280,775,053</u>	<u>539,148,657</u>	<u>1,819,923,710</u>	<u>1,321,568,106</u>	<u>619,739,998</u>	<u>1,941,308,104</u>
Deferred inflows of resources	89,068,803	120,922,256	209,991,059	18,240,321	24,474,889	42,715,210
Net Position:						
Net investment in capital assets	846,161,504	281,225,011	1,127,386,515	809,558,713	272,553,110	1,082,111,823
Restricted	2,744,874		2,744,874	2,744,874		2,744,874
Unrestricted	(56,289,770)	(130,180,132)	(186,469,902)	(57,460,793)	(182,249,667)	(239,710,460)
Total Net Position	<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>

The District's net position increased by \$98,515,250 overall during the fiscal year with ending net position of Governmental Activities and Business-Type Activities of \$792,616,608 and \$151,044,879 respectively.

Governmental Activities

The net position of governmental activities increased \$37,773,814 from the prior year, primarily due to an increase in capital assets of \$65,108,217 offset by a decrease of \$40,793,053 in liabilities.

Deferred outflow of resources decreased \$2,479,973 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources increased \$70,828,482 compared to prior year due to changes in actuarial assumption related to OPEB discount rate change and differences between expected and actual experience.

Business-Type Activities

The total net position of business-type activities increased \$60,741,436 from prior year, primarily due to a decrease in settlement liability of \$7,900,000 in addition to an increase in investment in capital assets of \$8,671,901.

Deferred outflow of resources decreased \$4,133,580 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources increased by \$96,447,367 compared to prior year due to changes in actuarial assumption related to OPEB discount rate change and differences between expected and actual experience.

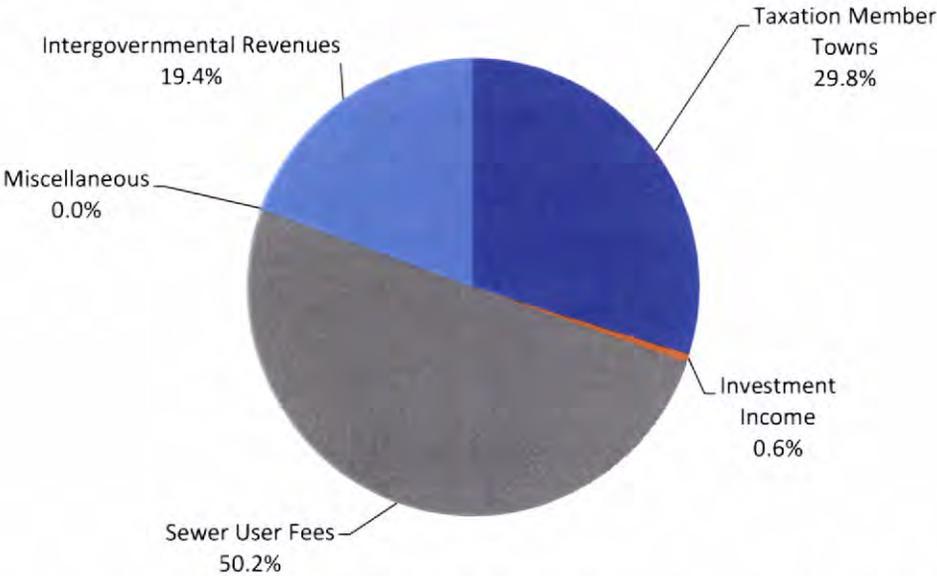
The Metropolitan District CHANGES IN NET POSITION For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 86,709,779	\$ 106,176,291	\$ 192,886,070	\$ 86,222,994	\$ 92,873,907	\$ 179,096,901
Operating grants and contributions	10,111,198		10,111,198			-
Capital grants and contributions	23,423,241	6,651,401	30,074,642	53,379,335	4,949,099	58,328,434
General revenues:						
Sewer taxation - member municipalities	51,475,700		51,475,700	48,153,100		48,153,100
Unrestricted investment earnings	1,029,927	77,698	1,107,625	3,573,305	270,730	3,844,035
Miscellaneous income		1,620,957	1,620,957	3,466,043		3,466,043
Total revenues	<u>172,749,845</u>	<u>114,526,347</u>	<u>287,276,192</u>	<u>194,794,777</u>	<u>98,093,736</u>	<u>292,888,513</u>
Expenses:						
General government	12,632,933		12,632,933	22,503,242		22,503,242
Operations	19,918,024		19,918,024	32,724,856		32,724,856
Plants and maintenance	49,634,121		49,634,121	71,412,175		71,412,175
Interest on long-term debt	30,987,059		30,987,059	28,064,892		28,064,892
Water		73,551,706	73,551,706		107,583,098	107,583,098
Hydroelectricity		2,037,099	2,037,099		2,116,807	2,116,807
Total expenses	<u>113,172,137</u>	<u>75,588,805</u>	<u>188,760,942</u>	<u>154,705,165</u>	<u>109,699,905</u>	<u>264,405,070</u>
Excess of Revenues over Expenditures before Transfers	59,577,708	38,937,542	98,515,250	40,089,612	(11,606,169)	28,483,443
Transfers	(21,803,894)	21,803,894	-	14,108,504	(14,108,504)	-
Net Change in Net Position	37,773,814	60,741,436	98,515,250	54,198,116	(25,714,673)	28,483,443
Net Position at Beginning of Year	<u>754,842,794</u>	<u>90,303,443</u>	<u>845,146,237</u>	<u>700,644,678</u>	<u>116,018,116</u>	<u>816,662,794</u>
Net Position at End 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>

Governmental Activities

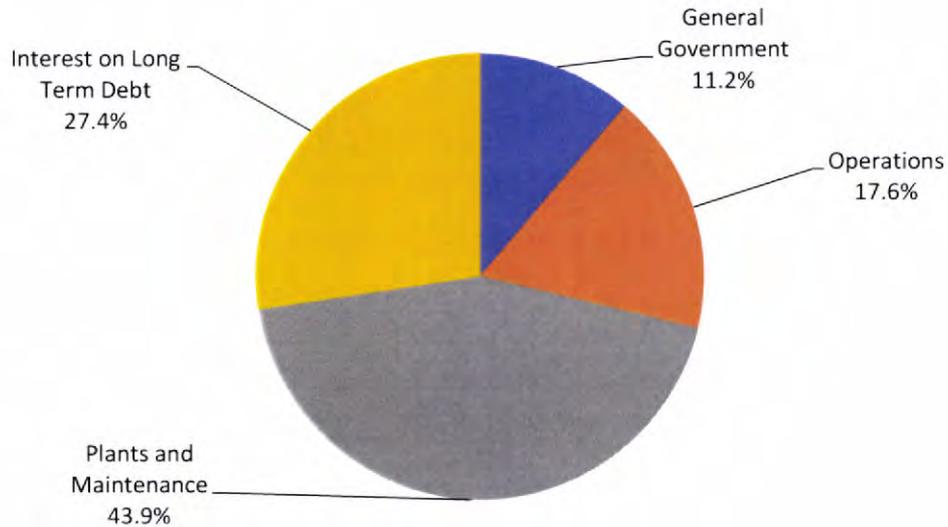
Net position of governmental activities increased by \$37,773,814 in 2020.

Major revenue factors include:



- Approximately 29.8% of the governmental activity revenues were derived from taxes levied on our member towns. These taxes increased 6.9% from the prior year.
- The primary component of charges for services consists of sewer user fees of \$83,717,134 which increased by \$6,234,262 due to rate increases and increased usage.
- The primary component of operating and capital grants and contributions consists of intergovernmental revenues of \$33,534,439 which increased by \$3,330,598 from the prior year. The intergovernmental revenue decrease is due to completion of a majority of construction contracts coming to scheduled completion dates and various funding agreements being converted from IFO to PLO.

Major expenditure factors include:

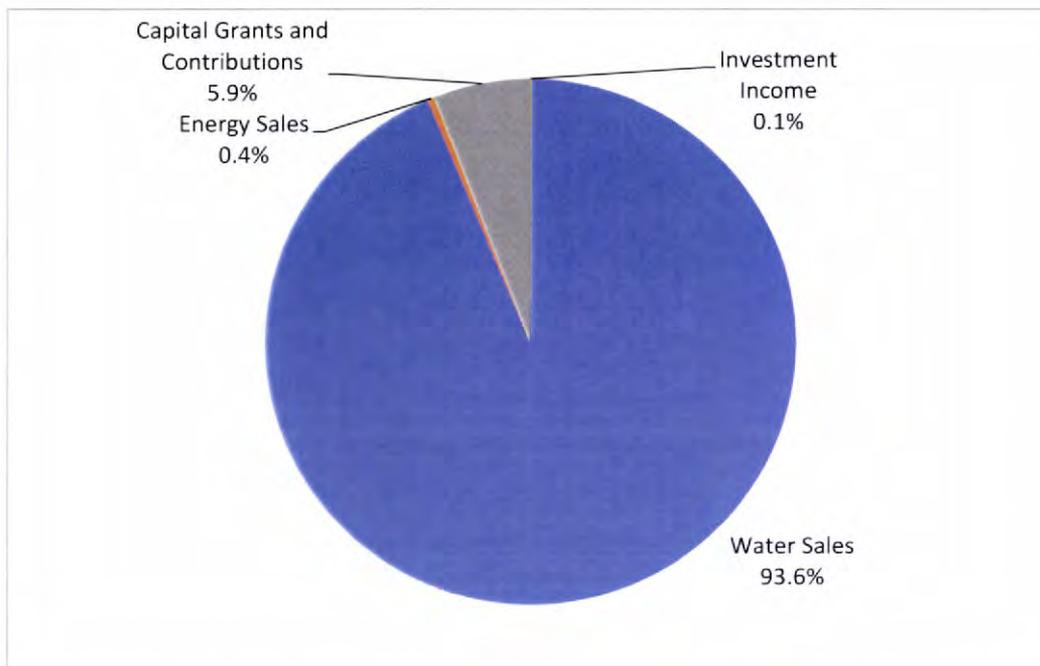


➤ During 2020, expenses decreased from the prior year by \$41,533,028 of which \$21,778,054 is due to decreased Plants and Maintenance expenses along with decreased Operation Expenses of \$12,806,832 and decreased General Government expenses of \$9,870,309. This is due to non-capitalizable expenses and changes in pension and OPEB expenses during the fiscal year.

Business-Type Activities

Net position of business-type activities increased by \$60,741,436 in 2020.

Major Revenue Factors Include:

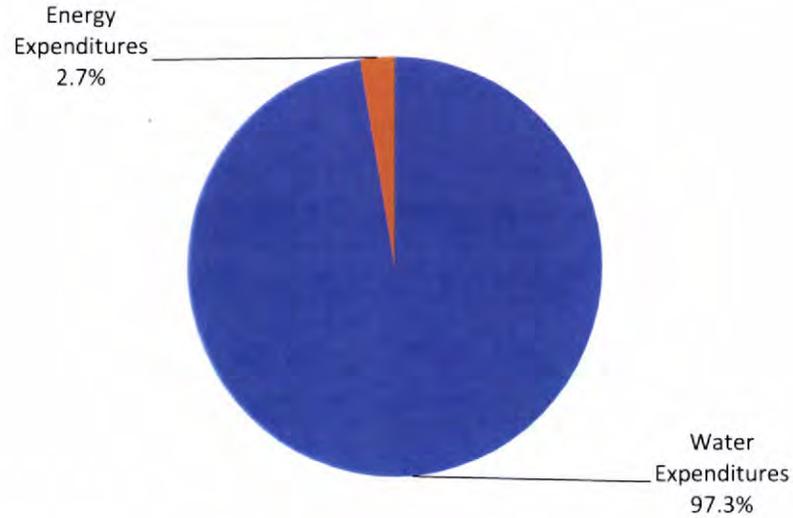


Water sales revenue increased by \$13,646,649 or 14.8% due to increases in water rates.

Capital grants and contributions increased by \$1,702,302 due to scheduled completion of construction projects and conversion of IFO's to PLO's.

Energy sales decreased by \$344,265 due to Colebrook not producing power in 2020.

Major expense factors include:



- Water expenses decreased \$34,031,392 or 31.6% primarily due to current year pension and OPEB activities. In addition, in the prior year, the District recognized \$7,900,000 of expenses related to a legal settlement.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current year, the District's governmental funds reported a combined ending fund balance of \$82,320,911 a decrease of \$49,014,734 in comparison with the prior year. Of the fund balances, \$75,165,949 is committed primarily for Clean Water Project future debt service or capital expenses, and \$3,715,448 is nonspendable and reserved for inventory and prepaid. The remaining general fund and capital projects show a combined unassigned balance of \$694,640.

The General Fund is the chief operating fund of the District. At the end of the current year, the General Fund total fund balance was \$35,585,675, of which \$694,640 is unassigned and spendable and \$3,715,448 is nonspendable and reserved for supplies and prepaid assets. This represents a fund balance increase in the General Fund of \$7,481,956 primarily due to an increase in sewer user fees and other revenues while the District had cost savings in plants and maintenance expenditures.

The Debt Service Fund's restricted balance of \$2,744,874 balance remains consistent as compared to the prior year due to fund activities consisting of transfer from other funds to fund debt service.

The Clean Water Project Fund had a decrease in fund balance \$18,196,188 which is due to delayed reimbursement of project spending.

The Capital Project Fund had a decrease in fund balance of \$38,300,502 which is a result of capital expenditures incurred during the fiscal year to be funded a future Bond Issuance.

Proprietary Funds

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

Overall proprietary funds net position totaled \$151,044,879 at the end of the year.

Unrestricted net position of the Water Utility Fund at the end of the year was a deficit of \$137,951,623. Net investment in capital assets amounted to \$276,685,102. The Hydroelectricity Fund has unrestricted net position of \$3,086,094, or 40.5% of total net position. Net investment in capital assets amounted to \$4,539,909, or 59.5% of total net position of the fund.

General Fund Budgetary Highlights

During the 2020 budget year, total revenues and other financing sources were below budget by \$3,023,868 or 3.2%, and expenditures were less than budget by \$11,071,802 or 11.7%.

Some of the major highlights are as follows:

- The District's budget included a contingent item of \$1,980,000 to cover the groundwater remediation receivable. If this receivable had been paid it would have resulted in a reduction in the ad valorem billing during 2020. However, this bill was outstanding during the calendar year.
- Expenditures were favorable to budget due to the contingency expense \$1,980,000 noted above and favorable Water Pollution Control expenses of \$2,050,157.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2020 amounted to \$1,970,906,638 and \$648,901,852 respectively reflecting the District's ongoing investment in capital activities. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and sewer and water pipes.

Major capital asset additions in 2020 consisted of infrastructure improvements, building additions, and additional machinery and equipment.

The Metropolitan District CAPITAL ASSETS (net of depreciation) December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 10,326,860	\$ 10,181,885	\$ 20,508,745	\$ 10,248,534	\$ 10,181,885	\$ 20,430,419
Buildings	304,080,806	97,312,229	401,393,035	322,292,326	102,952,747	425,245,073
Machinery and equipment	39,801,499	19,233,613	59,035,112	43,059,189	21,023,816	64,083,005
Infrastructure	678,162,111	314,513,265	992,675,376	687,428,485	321,798,970	1,009,227,455
Construction in progress	938,535,362	207,660,860	1,146,196,222	842,769,887	152,239,521	995,009,408
Total	\$ 1,970,906,638	\$ 648,901,852	\$ 2,619,808,490	\$ 1,905,798,421	\$ 608,196,939	\$ 2,513,995,360

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

Long-Term Debt

At the end of the current year, the District had total open market bonded debt outstanding of \$896,816,960 and \$526,253,046 of Clean Water and Drinking Water State Revolving fund loans outstanding. All of the Governmental Activities debt, \$1,198,647,030, with the exception of \$252,350,000 of outstanding revenue bonds is backed by the full faith and credit of the District's member towns. The revenue bond indenture has a pledge of the special sewer service surcharge revenues (a.k.a. Clean Water Project Charge), therefore these bonds do not carry the full faith and credit pledge of the District.

The Metropolitan District OUTSTANDING DEBT December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General obligation/ Revenue bonds	\$ 621,770,522	\$ 275,046,438	\$ 896,816,960	\$ 581,238,983	\$ 294,641,939	\$ 875,880,922
Clean/drinking water loans	476,391,446	49,861,600	526,253,046	527,219,298	51,989,586	579,208,884
Compensated absences	2,857,592	3,592,441	6,450,033	3,468,109	3,339,340	6,807,449
Claims and judgments		6,283,811	6,283,811		6,358,539	6,358,539
Settlement liability		5,814,247	5,814,247		7,900,000	7,900,000
Net pension liability	24,280,899	33,076,313	57,357,212	24,555,192	33,560,708	58,115,900
OPEB obligation	73,346,571	99,915,333	173,261,904	156,943,458	214,501,826	371,445,284
Total	\$ 1,198,647,030	\$ 473,590,183	\$ 1,672,237,213	\$ 1,293,425,040	\$ 612,291,938	\$ 1,905,716,978

In November 2020, in connection with its general obligation bond issue, the District affirmed both its rating and outlook with Moody's Investors Service and S&P Global Ratings. Those ratings are Aa3/AA respectively, each with a stable outlook.

The District's Charter limits the amount of general obligation debt it may issue up to 5% of the combined Grand List of its member towns. The current debt limitation for the District is \$1,317,246,191.

Additional information on the District's long-term debt can be found in Note 3F on pages 38-43 of this report.

Economic Factors

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

All of these factors were considered in preparing the District's 2020 year budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**THE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 128,670,129	\$ 96,185,192	\$ 224,855,321
Receivables, net of allowance for uncollectibles	26,881,039	18,969,723	45,850,762
Due to fiduciary funds	57,270	69,996	127,266
Supplies	3,028,814	3,161,935	6,190,749
Prepaid items	686,634	1,247,499	1,934,133
Capital assets, nondepreciable	948,862,222	217,842,745	1,166,704,967
Capital assets, net of accumulated depreciation	<u>1,022,044,416</u>	<u>431,059,107</u>	<u>1,453,103,523</u>
Total assets	<u>2,130,230,524</u>	<u>768,536,197</u>	<u>2,898,766,721</u>
Deferred Outflows of Resources:			
Deferred outflows - pension	10,804,719	14,718,577	25,523,296
Deferred outflows - OPEB	19,814,322	27,004,043	46,818,365
Deferred charge on refunding	<u>1,610,899</u>	<u>856,975</u>	<u>2,467,874</u>
Total deferred outflows of resources	<u>32,229,940</u>	<u>42,579,595</u>	<u>74,809,535</u>
Liabilities:			
Accounts payable and accrued items	36,460,255	14,658,260	51,118,515
Bond anticipation notes payable	43,935,430	49,249,570	93,185,000
Premium on bond anticipation notes payable	838,364	939,217	1,777,581
Customer advances for construction	893,974	711,427	1,605,401
Noncurrent liabilities:			
Due within one year	112,102,675	31,406,820	143,509,495
Due in more than one year	<u>1,086,544,355</u>	<u>442,183,363</u>	<u>1,528,727,718</u>
Total liabilities	<u>1,280,775,053</u>	<u>539,148,657</u>	<u>1,819,923,710</u>
Deferred Inflows of Resources:			
Deferred inflows - pension	8,678,928	11,822,747	20,501,675
Deferred inflows - OPEB	78,999,951	107,628,833	186,628,784
Deferred charge on refunding	<u>1,389,924</u>	<u>1,470,676</u>	<u>2,860,600</u>
Total deferred inflows of resources	<u>89,068,803</u>	<u>120,922,256</u>	<u>209,991,059</u>
Net Position:			
Net investment in capital assets	846,161,504	281,225,011	1,127,386,515
Restricted for:			
Debt service	2,744,874		2,744,874
Unrestricted	<u>(56,289,770)</u>	<u>(130,180,132)</u>	<u>(186,469,902)</u>
Total Net Position	<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 12,632,933	\$ 83,717,134	\$ 10,111,198	\$ -	\$ (2,521,735)	\$ -	\$ (2,521,735)
Operations	19,918,024	2,992,645	-	23,423,241	63,799,110	-	63,799,110
Plants and maintenance	49,634,121	-	-	-	(23,218,235)	-	(23,218,235)
Interest on long-term debt	30,987,059	-	-	-	(30,987,059)	-	(30,987,059)
Total governmental activities	113,172,137	86,709,779	10,111,198	23,423,241	7,072,081	-	7,072,081
Business-type activities:							
Water	73,551,706	105,704,415	-	6,651,401	38,804,110	-	38,804,110
Hydroelectricity	2,037,099	471,876	-	-	(1,565,223)	-	(1,565,223)
Total business-type activities	75,588,805	106,176,291	-	6,651,401	37,238,887	-	37,238,887
Total	\$ 188,760,942	\$ 192,886,070	\$ 10,111,198	\$ 30,074,642	7,072,081	37,238,887	44,310,968
General revenues:							
Sewer taxation - member municipalities					51,475,700		51,475,700
Miscellaneous					1,620,957		1,620,957
Unrestricted investment earnings					1,029,927		1,107,625
Transfers					(21,803,894)		-
Total general revenues and transfers					30,701,733		54,204,282
Change in Net Position					37,773,814	60,741,436	98,515,250
Net Position at Beginning of Year					754,842,794	90,303,443	845,146,237
Net Position at End of Year					\$ 792,616,608	\$ 151,044,879	\$ 943,661,487

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Debt Service	Clean Water Project	Capital Project Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 28,834,678	\$ 2,744,874	\$ 74,572,413	\$ 22,518,164	\$ 128,670,129
Receivables, net of allowance for uncollectibles	6,127,738		18,232,482	2,520,819	26,881,039
Due from other funds	57,270				57,270
Supplies	3,028,814				3,028,814
Prepaid items	686,634				686,634
Total Assets	<u>\$ 38,735,134</u>	<u>\$ 2,744,874</u>	<u>\$ 92,804,895</u>	<u>\$ 25,038,983</u>	<u>\$ 159,323,886</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued items	\$ 2,255,485		\$ 17,638,946	\$ 8,826,895	\$ 28,721,326
Bond anticipation notes payable				43,935,430	43,935,430
Premium on bond anticipation notes payable				838,364	838,364
Customer advances for construction	893,974				893,974
Total liabilities	<u>3,149,459</u>	<u>-</u>	<u>17,638,946</u>	<u>53,600,689</u>	<u>74,389,094</u>
Deferred inflows of resources:					
Unavailable revenue - special assessments				2,613,881	2,613,881
Fund balances:					
Nonspendable	3,715,448				3,715,448
Restricted		2,744,874			2,744,874
Committed			75,165,949		75,165,949
Unassigned	31,870,227			(31,175,587)	694,640
Total fund balances	<u>35,585,675</u>	<u>2,744,874</u>	<u>75,165,949</u>	<u>(31,175,587)</u>	<u>82,320,911</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 38,735,134</u>	<u>\$ 2,744,874</u>	<u>\$ 92,804,895</u>	<u>\$ 25,038,983</u>	<u>\$ 159,323,886</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2020**

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

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

Fund balances - total governmental funds (page 16)	\$ 82,320,911
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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	\$ 2,393,229,136	
Less accumulated depreciation	<u>(422,322,498)</u>	
Net capital assets		1,970,906,638

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	2,613,881
Deferred outflows related to refunding	1,610,899
Deferred outflows related to pension	10,804,719
Deferred outflows related to OPEB	19,814,322

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	(553,390,982)
Premiums	(68,379,540)
Notes payable	(476,391,446)
Interest payable on long-term debt	(7,738,929)
Compensated absences	(2,857,592)
Net pension liability	(24,280,899)
Deferred inflows related to pension	(8,678,928)
Deferred inflows related to OPEB	(78,999,951)
Deferred inflows related to refunding	(1,389,924)
Net OPEB liability	<u>(73,346,571)</u>

Net Position of Governmental Activities (page 14)	<u>\$ 792,616,608</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, 2020**

	General	Debt Service	Clean Water Project	Capital Project Fund	Total Governmental Funds
Revenues:					
Taxation - member municipalities	\$ 51,475,700	\$	\$	\$	\$ 51,475,700
Assessments				1,071,240	1,071,240
Sewer user fees	20,404,896		63,312,238		83,717,134
Intergovernmental revenues	10,111,198		23,423,241		33,534,439
Investment income	145,404		884,523		1,029,927
Other local revenues	1,287,228			76,215	1,363,443
Total revenues	<u>83,424,426</u>	<u>-</u>	<u>87,620,002</u>	<u>1,147,455</u>	<u>172,191,883</u>
Expenditures:					
Current:					
General government	4,446,417				4,446,417
Operations	3,573,467				3,573,467
Plants and maintenance	19,643,333				19,643,333
Employee benefits and other	16,194,956				16,194,956
Debt service:					
Principal retirement		58,091,086			58,091,086
Interest	1,335,850	31,044,129			32,379,979
Issuance costs	295,459		644,016		939,475
Capital outlay			72,933,024	41,230,352	114,163,376
Total expenditures	<u>45,489,482</u>	<u>89,135,215</u>	<u>73,577,040</u>	<u>41,230,352</u>	<u>249,432,089</u>
Excess (Deficiency) of Revenues over Expenditures	<u>37,934,944</u>	<u>(89,135,215)</u>	<u>14,042,962</u>	<u>(40,082,897)</u>	<u>(77,240,206)</u>
Other Financing Sources (Uses):					
Issuance of bonds			55,010,000		55,010,000
Premiums on issuance of bonds			15,448,049		15,448,049
Issuance of refunding bonds		76,065,000			76,065,000
Payment for clean water loan escrow agent			(49,825,431)		(49,825,431)
Payment to refunded bond escrow agent		(76,935,985)			(76,935,985)
Clean Water Fund loans issued			30,267,733		30,267,733
Transfers in		90,006,200		1,782,395	91,788,595
Transfers out	(30,452,988)		(83,139,501)		(113,592,489)
Total other financing sources (uses)	<u>(30,452,988)</u>	<u>89,135,215</u>	<u>(32,239,150)</u>	<u>1,782,395</u>	<u>28,225,472</u>
Net Change in Fund Balances	7,481,956	-	(18,196,188)	(38,300,502)	(49,014,734)
Fund Balances at Beginning of Year	<u>28,103,719</u>	<u>2,744,874</u>	<u>93,362,137</u>	<u>7,124,915</u>	<u>131,335,645</u>
Fund Balances at End of Year	<u>\$ 35,585,675</u>	<u>\$ 2,744,874</u>	<u>\$ 75,165,949</u>	<u>\$ (31,175,587)</u>	<u>\$ 82,320,911</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, 2020

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

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

Net change in fund balances - total governmental funds (page 18) \$ (49,014,734)

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	98,882,354
Depreciation expense	(33,763,164)

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. (10,973)

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds:

Sewer assessment revenue	634,177
Change in deferred outflows related to pension	4,901,196
Change in deferred outflows related to OPEB	(7,733,772)

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	(30,267,733)
Proceeds from issuance of bonds	(55,010,000)
Premiums on issuance of bonds	(15,448,049)
Proceeds from issuance of refunding bonds	(76,065,000)
Bond payments	97,395,930
Amortization of bond premium	8,595,580
Amortization of deferred charge on refunding	444,989
Clean Water Fund loan payments	81,095,585
Change in accrued interest	(423,401)

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	610,517
Change in net pension liability	274,293
Change in deferred inflows related to pension	(5,458,336)
Change in deferred inflows related to OPEB	(65,462,532)
Change in net OPEB liability	83,596,887

Change in Net Position of Governmental Activities (page 15) \$ 37,773,814

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2020**

	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	\$ 81,347,383	\$ 2,824,485	\$ 84,171,868	\$ 12,013,324
Accounts receivable, net of allowance for uncollectibles	18,817,858	68,524	18,886,382	83,341
Due from other funds	69,996		69,996	
Supplies	2,925,045	236,890	3,161,935	
Prepaid items	1,247,499		1,247,499	
Total current assets	<u>104,407,781</u>	<u>3,129,899</u>	<u>107,537,680</u>	<u>12,096,665</u>
Noncurrent assets:				
Capital assets, nondepreciable	217,842,745		217,842,745	
Capital assets, net of accumulated depreciation	426,519,198	4,539,909	431,059,107	
Total noncurrent assets	<u>644,361,943</u>	<u>4,539,909</u>	<u>648,901,852</u>	<u>-</u>
Total assets	<u>748,769,724</u>	<u>7,669,808</u>	<u>756,439,532</u>	<u>12,096,665</u>
Deferred Outflows of Resources:				
Deferred outflows - pension	14,718,577		14,718,577	
Deferred outflows - OPEB	27,004,043		27,004,043	
Deferred charge on refunding	856,975		856,975	
Total deferred outflows of resources	<u>42,579,595</u>	<u>-</u>	<u>42,579,595</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	13,486,998	43,805	13,530,803	1,127,457
Bond anticipation notes payable	49,249,570		49,249,570	
Premium on bond anticipation notes payable	939,217		939,217	
Customer advances for construction	711,427		711,427	
Current portion of claims incurred but not reported			-	835,058
Current portion of compensated absences	2,720,402		2,720,402	
Current portion of claims and judgements	5,814,247		5,814,247	
Current portion of bonds and loans payable	22,037,113		22,037,113	
Total current liabilities	<u>94,958,974</u>	<u>43,805</u>	<u>95,002,779</u>	<u>1,962,515</u>
Noncurrent liabilities:				
Compensated absences	872,039		872,039	
Bonds and loans payable after one year	302,870,925		302,870,925	
Claims incurred but not reported			-	5,448,753
Net pension liability	33,076,313		33,076,313	
OPEB liability	99,915,333		99,915,333	
Total noncurrent liabilities	<u>436,734,610</u>	<u>-</u>	<u>436,734,610</u>	<u>5,448,753</u>
Total liabilities	<u>531,693,584</u>	<u>43,805</u>	<u>531,737,389</u>	<u>7,411,268</u>
Deferred Inflows of Resources:				
Deferred inflows - pension	11,822,747		11,822,747	
Deferred inflows - OPEB	107,628,833		107,628,833	
Deferred charge on refunding	1,470,676		1,470,676	
Total deferred inflows of resources	<u>120,922,256</u>	<u>-</u>	<u>120,922,256</u>	<u>-</u>
Net Position:				
Net investment in capital assets	276,685,102	4,539,909	281,225,011	
Unrestricted	(137,951,623)	3,086,094	(134,865,529)	4,685,397
Total Net Position	<u>\$ 138,733,479</u>	<u>\$ 7,626,003</u>	<u>146,359,482</u>	<u>\$ 4,685,397</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			4,685,397	
Net Position of Business-Type Activities			<u>\$ 151,044,879</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, 2020**

	Business-Type Activities - Enterprise Funds			Business-Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project		
Operating Revenues:				
Water sales	\$ 98,277,039	\$	\$ 98,277,039	\$
Energy sales		471,876	471,876	
Operating contributions			-	22,759,919
Other operating	7,427,376		7,427,376	
Total operating revenues	<u>105,704,415</u>	<u>471,876</u>	<u>106,176,291</u>	<u>22,759,919</u>
Operating Expenses:				
General government	10,121,682		10,121,682	
Operations	12,180,241		12,180,241	18,074,522
Plants and maintenance	16,408,209		16,408,209	
Employee benefits and other	12,595,839		12,595,839	
Source of supply		271,792	271,792	
Depreciation expense	15,910,518	160,921	16,071,439	
Total operating expenses	<u>67,216,489</u>	<u>432,713</u>	<u>67,649,202</u>	<u>18,074,522</u>
Operating Income (Loss)	<u>38,487,926</u>	<u>39,163</u>	<u>38,527,089</u>	<u>4,685,397</u>
Nonoperating Revenues (Expenses):				
Investment income	77,698		77,698	
Miscellaneous revenue	895,442	725,515	1,620,957	
Gain (loss) on disposal of assets	92,237	(1,604,386)	(1,512,149)	
Interest and fiscal charges	(11,112,851)		(11,112,851)	
Net nonoperating revenues (expenses)	<u>(10,047,474)</u>	<u>(878,871)</u>	<u>(10,926,345)</u>	<u>-</u>
Income (Loss) Before Capital Grants, Capital Contributions and Transfers	28,440,452	(839,708)	27,600,744	4,685,397
Capital grants	571,847		571,847	
Capital contributions	6,079,554		6,079,554	
Transfer in	23,586,289		23,586,289	6,537,627
Transfers out	(8,320,022)		(8,320,022)	
Change in Net Position	50,358,120	(839,708)	49,518,412	11,223,024
Net Position at Beginning of Year	<u>88,375,359</u>	<u>8,465,711</u>		<u>(6,537,627)</u>
Net Position at End of Year	<u>\$ 138,733,479</u>	<u>\$ 7,626,003</u>		<u>\$ 4,685,397</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			11,223,024	
Change in Net Position of Business-Type Activities			<u>\$ 60,741,436</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, 2020

	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	\$ 100,652,720	\$ 428,280	\$ 101,081,000	\$ 22,719,843
Payments to suppliers	(34,360,849)	(245,333)	(34,606,182)	(17,353,850)
Payments to employees	(26,143,232)	-	(26,143,232)	
Net cash provided by (used in) operating activities	<u>40,148,639</u>	<u>182,947</u>	<u>40,331,586</u>	<u>5,365,993</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets/utility plant	(52,301,185)		(52,301,185)	
Proceeds from drinking water loans	1,452,294		1,452,294	
Proceeds from capital grant	571,847		571,847	
Principal payments on bonds	(17,544,070)		(17,544,070)	
Proceeds from bond anticipation notes	50,188,787		50,188,787	
Principal payments on drinking water loans	(3,580,280)		(3,580,280)	
Interest payments on bonds and notes	(11,076,783)		(11,076,783)	
Proceeds from Water Utility fund				6,537,627
Proceeds from General fund	23,586,289		23,586,289	
Proceeds on sale of assets	92,237		92,237	
Payment to Capital Project fund	(8,320,022)		(8,320,022)	
Net cash provided by (used in) capital and related financing activities	<u>(16,930,886)</u>	<u>-</u>	<u>(16,930,886)</u>	<u>6,537,627</u>
Cash Flows from Investing Activities:				
Interest on investments	77,698		77,698	
Net Increase (Decrease) in Cash and Cash Equivalents	23,295,451	182,947	23,478,398	11,903,620
Cash and Cash Equivalents at Beginning of Year	58,051,932	2,641,538	60,693,470	109,704
Cash and Cash Equivalents at End of Year	<u>\$ 81,347,383</u>	<u>\$ 2,824,485</u>	<u>\$ 84,171,868</u>	<u>\$ 12,013,324</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Operating income	\$ 38,487,926	\$ 39,163	\$ 38,527,089	\$ 4,685,397
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	15,910,518	160,921	16,071,439	
Amortization of bond premiums	(2,051,431)		(2,051,431)	
Miscellaneous nonoperating revenue (expense)	895,442		895,442	
Change in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in accounts receivable	(4,418,605)	(43,596)	(4,462,201)	(40,076)
(Increase) decrease in due from other funds	(69,996)		(69,996)	
(Increase) decrease in supplies	(41,113)		(41,113)	
(Increase) decrease in prepaid items	(40,674)	9,948	(30,726)	
(Increase) decrease in deferred outflows of resources related to pensions	(6,675,949)		(6,675,949)	
(Increase) decrease in deferred outflows of resources related to OPEB	10,525,925		10,525,925	
Increase (decrease) in accounts payable and accrued expenses	5,587,059	16,511	5,603,570	795,400
Increase (decrease) in customer advances for construction	(563,094)		(563,094)	
Increase (decrease) in compensated absences	253,101		253,101	
Increase (decrease) in net OPEB liability	(113,895,586)		(113,895,586)	
Increase (decrease) in net pension liability	(376,296)		(376,296)	
Increase (decrease) in claims payable				(74,728)
Increase (decrease) in deferred inflows of resources related to pensions	7,435,195		7,435,195	
Increase (decrease) in deferred inflows of resources related to OPEB	89,186,217		89,186,217	
Total adjustments	<u>1,660,713</u>	<u>143,784</u>	<u>1,804,497</u>	<u>680,596</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 40,148,639</u>	<u>\$ 182,947</u>	<u>\$ 40,331,586</u>	<u>\$ 5,365,993</u>
Noncash Investing, Capital and Financing Activities:				
Capital assets contributed by Capital Projects Fund	<u>\$ 6,079,554</u>	<u>\$ -</u>	<u>\$ 6,079,554</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020**

	Pension and Other Employee Benefit Trust Funds
ASSETS	
Cash and cash equivalents	\$ 9,694,246
Accounts receivable	185,874
Investments, at fair value:	
Mutual funds	25,700,261
Guaranteed investment contracts	25,623,113
Land	3,705,913
Commingled collective trusts	179,076,798
Real estate	18,608,174
Total assets	<u>262,594,379</u>
LIABILITIES	
Due to other funds	127,266
Retiree expense reimbursement payable	<u>2,667</u>
Total liabilities	<u>129,933</u>
NET POSITION	
Restricted for pension benefits	253,346,293
Restricted for OPEB benefits	<u>9,118,153</u>
Total Net Position	<u>\$ 262,464,446</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, 2020**

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 18,999,763
Plan members	3,862,570
Total contributions	<u>22,862,333</u>
Investment income (loss):	
Net change in fair value of investments	32,713,513
Interest and dividends	2,616,959
	<u>35,330,472</u>
Less investment expenses:	
Investment management fees	949,003
Net investment income (loss)	<u>34,381,469</u>
Total additions	<u>57,243,802</u>
Deductions:	
Benefits	25,020,126
Administrative expense	79,174
Total deductions	<u>25,099,300</u>
Change in Net Position	32,144,502
Net Position at Beginning of Year	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 262,464,446</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

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

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. 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. Inventories and Prepaid Items

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

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

F. Receivables and Payables

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

All receivables are presented net of an allowance for uncollectibles.

G. Compensated Absences

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

H. Capital Assets

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

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

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

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

I. Deferred Outflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources expenditure until then. The District reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position and statement of net position - proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs, contributions made to the plan after the measurement date, and differences between projected and actual earnings on pension and OPEB plan investments. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees). No deferred outflows of resources affect the governmental fund financial statements in the current year.

J. Deferred Inflows of Resources

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

K. Long-Term Obligations

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

L. Net Pension Liability

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

M. Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

N. Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Net Investment in Capital Assets

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

Restricted Net Position

This category represents amounts restricted to use by outside parties.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Unrestricted Net Position

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

O. Accounting Estimates

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

P. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 25, 2021.

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, 2020, 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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

B. Deficit Fund Equity

The capital project fund had a fund balance deficit of \$31,175,587, which was a result of increased capital projects spending in the current year. This deficit will be funded by future bond issuances.

3. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

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

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$32,158,792 of the District's bank balance of \$32,408,792 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 28,917,913
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>3,240,879</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 32,158,792</u>

Cash Equivalents

At December 31, 2020, the District's cash equivalents amounted to \$202,681,692. 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	

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The District has the following recurring fair value measurements as of December 31, 2020:

	December 31, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Mutual funds	\$ 25,700,261	\$ 25,700,261	\$	\$
Guaranteed investment contracts	25,623,113		8,198,855	17,424,258
Real Estate	3,705,913			3,705,913
Total investments by fair value level	55,029,287	\$ 25,700,261	\$ 8,198,855	\$ 21,130,171
Investments measured at net asset value (NAV):				
Commingled Collective Trusts	179,076,798			
Timberland Investments	9,153,357			
Cornerstone Real Estate	2,886,484			
Intercontinental U.S. REIF	6,568,333			
Total investments measured at NAV	197,684,972			
Total Investments Measured at Fair Value	\$ 252,714,259			

The above investments have no rating or maturity.

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

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Collective Trusts	\$ 179,076,798	\$	Up to Monthly	Up to 10 Days
Timberland Investments	9,153,357	549,776	Hold to Maturity	Hold to Maturity (15-18 Years Total)
Cornerstone Real Estate	2,886,484	1,336,013	Hold to Maturity	Hold to Maturity (7-9 Years Total)
Intercontinental U.S. REIF	6,568,333		Quarterly	30-60 days
Total Investments Measured at NAV	\$ 197,684,972			

THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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 8.1 years and average duration of 6.3 years, as of March 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 15-18 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.

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, 2020, the District did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the District's name.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

B. Receivables

Receivables as of year end for the District's individual major funds, nonmajor business-type activities, internal service fund and trust funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>General</u>	<u>Clean Water Project</u>	<u>Capital Projects Funds</u>	<u>Water Utility</u>	<u>Hydroelectric Development Project</u>	<u>Internal Service Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Sewer use charges	\$ 13,986,859	\$ 13,156,357	\$ 12,456	\$ 529,316				\$ 27,684,988
Customers and employees	4,581,402			20,069,274				24,650,676
Assessments			2,178,943	788,388				2,967,331
Accrued interest			490,820	201,680				692,500
Intergovernmental		6,978,177						6,978,177
Other	148,877	104,848	134,139		68,524	83,341	185,874	725,603
Gross receivables	<u>18,717,138</u>	<u>20,239,382</u>	<u>2,816,358</u>	<u>21,588,658</u>	<u>68,524</u>	<u>83,341</u>	<u>185,874</u>	<u>63,699,275</u>
Less allowance for uncollectibles	<u>12,589,400</u>	<u>2,006,900</u>	<u>295,539</u>	<u>2,770,800</u>				<u>17,662,639</u>
Net Total Receivables	<u>\$ 6,127,738</u>	<u>\$ 18,232,482</u>	<u>\$ 2,520,819</u>	<u>\$ 18,817,858</u>	<u>\$ 68,524</u>	<u>\$ 83,341</u>	<u>\$ 185,874</u>	<u>\$ 46,036,636</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	\$ 57,270
Water Utility	OPEB Trust Fund	69,996

Interfund transfers are generally used to supplement revenues of other funds. Interfund transfers for the year ended December 31, 2020 were as follows:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Water Utility Fund</u>	<u>Aggregate Remaining Fund</u>	
Transfers out:					
General Fund	\$ 30,452,988				\$ 30,452,988
Clean Water Fund	59,553,212		23,586,289		83,139,501
Water Utility Fund		1,782,395		6,537,627	8,320,022
Total Transfers In	<u>\$ 90,006,200</u>	<u>\$ 1,782,395</u>	<u>\$ 23,586,289</u>	<u>\$ 6,537,627</u>	<u>\$ 121,912,511</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

D. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,248,534	\$ 78,326	\$	\$ 10,326,860
Construction in progress	842,769,887	97,162,658	1,397,183	938,535,362
Total capital assets not being depreciated	<u>853,018,421</u>	<u>97,240,984</u>	<u>1,397,183</u>	<u>948,862,222</u>
Capital assets being depreciated:				
Buildings	501,203,154	3,597		501,206,751
Machinery and equipment	68,310,970	1,397,183	4,949,017	64,759,136
Infrastructure	876,776,770	1,637,773	13,516	878,401,027
Total capital assets being depreciated	<u>1,446,290,894</u>	<u>3,038,553</u>	<u>4,962,533</u>	<u>1,444,366,914</u>
Less accumulated depreciation for:				
Buildings	178,910,828	18,215,117		197,125,945
Machinery and equipment	25,251,781	4,643,900	4,938,044	24,957,637
Infrastructure	189,348,285	10,904,147	13,516	200,238,916
Total accumulated depreciation	<u>393,510,894</u>	<u>33,763,164</u>	<u>4,951,560</u>	<u>422,322,498</u>
Total capital assets being depreciated, net	<u>1,052,780,000</u>	<u>(30,724,611)</u>	<u>10,973</u>	<u>1,022,044,416</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,905,798,421</u>	<u>\$ 66,516,373</u>	<u>\$ 1,408,156</u>	<u>\$ 1,970,906,638</u>
	<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	\$	\$	\$ 10,181,885
Construction in progress	152,239,521	56,392,714	971,375	207,660,860
Total capital assets not being depreciated	<u>162,421,406</u>	<u>56,392,714</u>	<u>971,375</u>	<u>217,842,745</u>
Capital assets being depreciated:				
Buildings	165,243,637		2,467,361	162,776,276
Machinery and equipment	39,826,459	971,375	5,061,704	35,736,130
Infrastructure	455,542,913	2,385,638	788,711	457,139,840
Total capital assets being depreciated	<u>660,613,009</u>	<u>3,357,013</u>	<u>8,317,776</u>	<u>655,652,246</u>
Less accumulated depreciation for:				
Buildings	62,290,890	4,036,132	862,975	65,464,047
Machinery and equipment	18,802,643	2,750,060	5,050,186	16,502,517
Infrastructure	133,743,943	9,285,247	402,615	142,626,575
Total accumulated depreciation	<u>214,837,476</u>	<u>16,071,439</u>	<u>6,315,776</u>	<u>224,593,139</u>
Total capital assets being depreciated, net	<u>445,775,533</u>	<u>(12,714,426)</u>	<u>2,002,000</u>	<u>431,059,107</u>
Business-Type Activities Capital Assets, Net	<u>\$ 608,196,939</u>	<u>\$ 43,678,288</u>	<u>\$ 2,973,375</u>	<u>\$ 648,901,852</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

Governmental activities:	
General government	\$ 1,753,666
Operations	11,522,937
Plant and maintenance	<u>20,486,561</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>33,763,164</u>
 Business-type activities:	
Water	\$ 15,910,518
Hydroelectricity	<u>160,921</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u>16,071,439</u>

Construction Commitments

The District has active construction projects as of December 31, 2020. At year end, the District's commitments with contractors for governmental activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2011 WPC Electronic Dvlpmt	\$ 85,158
2014 General Purpose Sewer	256,723
2014 Various Sewer Pipe RR	491,185
2015 General Purpose Sewer	234,700
2015 HWPCF DAFT 1&2 (SPB)	2,258,388
2016 Sewer Rehab Program	555,005
2016 WPC Electrical Upgrade	466,405
2017 WPC Equip & Facil Imp	276,449
2018 General Purpose Sewer	3,007,429
2018 Sewer Rehab Program	1,315,514
2018 WPC Infrastruct Rehab	1,024,607
2018-VariouS Sewer Pipe Replmt/Rehab	1,209,256
2019 Oakwood Ave Phase 1	3,323,452
2019 WPC Infrastruct	853,538
2020-VariouS Sewer Pipe Replcmt/Rehab	1,720,685
EHWPCF Cmprsr,DO,SCADA	958,612
HWPCF DAFT	5,571,499
Sanita Sewer Rebab Program	1,652,872
Various Sewer Pipe Replacement/Rehabilit	262,972
WPCF Infrast, Rehab, Upgr & Replacements	110,464
Multiple projects < \$75K	441,031
2012 RH Interceptor	72,344
2015 SHCST Construct	91,076,636
2015 WWEP #2012-21	<u>144,379</u>
 Total	 \$ <u>117,369,303</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>
2012 Gen Purp Water	\$ 197,702
2014 WTF Upgrades	258,970
2015 Water Supply Improvem	204,470
2018 Buckingham St WM Repl	2,195,026
2018 Madison Ave WM Replac	616,919
2018 WM Replacement Prog	92,169
2019 Bloomfield TM Ext 2	362,068
2019 Oakwood Ave WMR 1&2	793,947
2019 Water Main Replac Prg	2,179,115
Church St and Nott St WMR 2019B-02	1,829,595
District Wide WM Replacement Prgm	2,570,095
Farmington Ave/WH Center WM Replace	3,884,524
Long Hill Rd WM	195,676
Saybrooke and Bonner St 2018B-17	3,386,289
Wat Facil Improvements	82,953
Webster Hill Area WM Replace WH	6,337,832
WTF Infra Rehab & Upgrades	427,932
Multiple Projects < \$75K	<u>221,843</u>
Total	<u>\$ 25,837,125</u>

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

E. Short-Term Debt

On December 1, 2020, the District issued bond anticipation notes totaling \$93,185,000. The notes mature on September 1, 2021 and have an interest rate of 3%. The proceeds of the Notes will be used to provide funding for various sewer, water and public improvement projects of the District.

F. Operating Leases

Total operating lease payments for office equipment totaled \$127,005 for the year ended December 31, 2020. Future operating lease commitments are as follows:

	<u>Amount</u>
2021	\$ 201,810
2022	158,983
2023	99,299
2024	45,655
2025	10,069
2026	<u>1,678</u>
Total	<u>\$ 517,494</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

G. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020 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	\$ 321,971,912	\$	\$ 20,930,930	\$ 301,040,982	\$ 20,176,780
Revenue bonds	197,740,000	131,075,000	76,465,000	252,350,000	8,520,000
Premiums	61,527,071	15,448,049	8,595,580	68,379,540	
Total bonds payable	<u>581,238,983</u>	<u>146,523,049</u>	<u>105,991,510</u>	<u>621,770,522</u>	<u>28,696,780</u>
Clean water fund loans	527,219,298	30,267,733	81,095,585	476,391,446	80,667,346
Compensated absences	3,468,109	1,851,691	2,462,208	2,857,592	2,738,549
Net pension liability	24,555,192		274,293	24,280,899	
Net OPEB Liability	156,943,458		83,596,887	73,346,571	
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,293,425,040</u>	<u>\$ 178,642,473</u>	<u>\$ 273,420,483</u>	<u>\$ 1,198,647,030</u>	<u>\$ 112,102,675</u>
Business-Type Activities:					
General obligation bonds	\$ 263,903,089	\$	\$ 17,544,070	\$ 246,359,019	\$ 17,293,220
Premiums	30,738,850		2,051,431	28,687,419	
Total bonds payable	<u>294,641,939</u>	<u>-</u>	<u>19,595,501</u>	<u>275,046,438</u>	<u>17,293,220</u>
Drinking water fund loans	51,989,586	1,452,294	3,580,280	49,861,600	4,743,893
Compensated absences	3,339,340	3,236,956	2,983,855	3,592,441	2,720,402
Claims and judgments	6,358,539	18,074,522	18,149,250	6,283,811	835,058
Settlement liability	7,900,000		2,085,753	5,814,247	5,814,247
Net pension liability	33,560,708		484,395	33,076,313	
Net OPEB Liability	214,501,826		114,586,493	99,915,333	
Total Business-Type Activities Long-Term Liabilities	<u>\$ 612,291,938</u>	<u>\$ 22,763,772</u>	<u>\$ 161,465,527</u>	<u>\$ 473,590,183</u>	<u>\$ 31,406,820</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	\$ 301,040,982
Business-type activities	Various	<u>246,359,019</u>
		<u>\$ 547,400,001</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 20,176,780	\$ 12,954,174	\$ 17,293,220	\$ 10,425,900
2022	20,252,793	11,966,434	17,337,208	9,573,143
2023	19,273,166	11,020,423	17,086,834	8,734,626
2024	19,091,978	10,132,153	17,068,022	7,923,177
2025	19,697,201	9,314,484	17,342,799	7,171,240
2026-2030	96,180,121	33,852,915	81,664,879	25,065,583
2031-2035	77,846,172	14,638,481	62,943,828	10,078,658
2035-2040	28,522,771	2,820,283	15,622,229	1,339,592
Total	\$ 301,040,982	\$ 106,699,347	\$ 246,359,019	\$ 80,311,919

Authorized but Unissued Bonds

The total of authorized but unissued bonds at December 31, 2020 is \$762,104,407. 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, 2020, the District reported unspent bond proceeds of \$18,863,627 and \$8,745,112 in governmental and business-type activities, respectively. These amounts were included as a component of net investment in capital assets in the statement of net position.

Revenue Bonds

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

Purpose	Interest Rates	Amount
Governmental Activities	Various	\$ <u>252,350,000</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

	Governmental Activities	
	Principal	Interest
2021	\$ 8,520,000	\$ 10,396,652
2022	8,685,000	10,099,889
2023	6,305,000	9,764,166
2024	6,495,000	9,448,916
2025	6,700,000	9,124,166
2026-2030	51,130,000	39,649,253
2031-2035	70,050,000	27,334,111
2036-2040	72,375,000	13,359,209
2041-2045	22,090,000	2,043,250
Total	\$ 252,350,000	\$ 131,219,612

Clean and Drinking Water Fund Loans

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

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

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

Permanent loan obligations mature as follows:

	Governmental Activities	
	Principal	Interest
2021	\$ 28,809,548	\$ 8,116,288
2022	28,197,406	7,545,269
2023	28,039,267	6,983,210
2024	27,922,467	6,423,009
2025	27,839,038	5,865,811
2026-2030	134,433,295	21,089,738
2031-2035	106,991,839	8,816,097
2036-2040	36,785,927	945,641
	\$ 419,018,787	\$ 65,785,063

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

	Business-Type Activities	
	Principal	Interest
2021	\$ 3,409,584	\$ 939,595
2022	3,388,034	871,652
2023	3,339,207	804,037
2024	3,270,847	738,233
2025	3,270,847	672,908
2026-2030	16,294,708	2,384,819
2031-2035	13,542,926	824,388
2036-2040	2,011,138	52,887
	<u>\$ 48,527,291</u>	<u>\$ 7,288,519</u>

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

	Governmental Activities	
	Principal	Interest
2021	\$ 51,857,798	\$ 825,698
2022		
2023		
2024	5,514,861	16,907
	<u>\$ 57,372,659</u>	<u>\$ 842,605</u>

	Business-Type Activities	
	Principal	Interest
2021	\$ 1,334,309	\$ 993
	<u>\$ 1,334,309</u>	<u>\$ 993</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.

Revenue Bonds - New Issuances and Current Refunding

On August 25, 2020, the District issued \$131,075,000 of bonds; consisting of \$55,010,000 in Clean Water Project Revenue Bonds, 2020 Series A with a True Interest Cost (TIC) of 1.67% and \$76,065,000 in Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) with a True Interest Cost (TIC) of 2.34%.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

The bonds refunded \$70,575,000 of outstanding principal of the Clean Water Project Revenue Bonds, 2013 Series A. The average coupon of the refunded bonds was 4.622%. The net proceeds of \$77,161,715 (after payment of Underwriter's Discount of \$332,452) was deposited with the Trustee; \$76,935,985 was deposited in an escrow account, which was used to make the April 1, 2021 principal and interest payment due and will be used on April 1, 2022 to make the April 1, 2022 principal and interest payment due and to fully redeem the remaining maturities of the Clean Water Project Revenue Bonds, 2013 Series A and \$225,730 was used for cost of issuance. The transaction generated a cash flow savings of \$15,920,529 and a net present value savings of \$14,859,807.

Subsequent to the bond issuance, the District used the \$55,010,000 to refund three Project Loan Obligations (CWF-652D, CWF 639-C, and CWF 633-C) issued through the State of Connecticut's Clean Water Fund, with an outstanding principal amount of \$49,825,431. Those Project Loan Obligations had an interest rate of 2%. \$49,825,431 was deposited in an escrow account which was used on August 26, 2020 to fully redeem the three Project Loan Obligations (CWF-652D, CWF 639-C, and CWF 633-C); \$321,054 was deposited to pay cost of issuance. The transaction generated a cash flow savings of \$2,878,192 and a net present value savings of \$2,814,248.

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>
\$ 1,317,246,191	\$ 897,446,518	\$ 419,799,673

H. Fund Balance

The components of fund balance for the governmental funds at December 31, 2020 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	\$ 686,634	\$	\$	\$	\$ 686,634
Supplies	3,028,814				3,028,814
Restricted for:					
Debt service		2,744,874			2,744,874
Committed to:					
Debt service			75,165,949		75,165,949
Unassigned	31,870,227			(31,175,587)	694,640
Total Fund Balances	\$ 35,585,675	\$ 2,744,874	\$ 75,165,949	\$ (31,175,587)	\$ 82,320,911

There were no outstanding encumbrances at December 31, 2020.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

At January 1, 2020, membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	620
Terminated members entitled to but not yet receiving benefits	38
Current active members	<u>468</u>
Total Members	<u>1,126</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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

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, 2020:

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

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.43%. 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, 2020 were as follows:

Total pension liability	\$ 310,703,505
Plan fiduciary net position	<u>253,346,293</u>
Net Pension Liability	<u>\$ 57,357,212</u>
Plan fiduciary net position as a percentage of the total pension liability	81.54%

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

Actuarial Assumptions

The total pension 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:

Inflation	2.75%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.875%, 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, 2020 (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	1.85%
Global Funds	0.75%
Large Cap U.S. Equities	4.35%
Mid Cap U.S. Equities	5.68%
Small Cap U.S. Equities	4.73%
Developed Foreign Equities	5.97%
Real Estate (REITS)	4.98%
Private Real Estate Property	3.85%
Commodities	4.01%

Discount Rate

The discount rate used to measure the total pension liability was 6.875%. 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, 2020 decreased 0.125% to 6.875% from 7.00% at December 31, 2019.

**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, 2020	\$ 284,902,241	\$ 226,786,341	\$ 58,115,900
Changes for the year:			
Service cost	4,679,208		4,679,208
Interest on total pension liability	19,624,655		19,624,655
Changes of benefit terms	21,260		21,260
Differences between expected and actual experience	1,826,376		1,826,376
Changes in assumptions	18,425,798		18,425,798
Employer contributions		8,650,763	(8,650,763)
Member contributions		2,385,458	(2,385,458)
Net investment gain (loss)		34,378,938	(34,378,938)
Benefit payments, including refund of employee contributions	(18,776,033)	(18,776,033)	-
Administrative expenses		(79,174)	79,174
Net changes	<u>25,801,264</u>	<u>26,559,952</u>	<u>(758,688)</u>
Balances as of December 31, 2020	\$ <u>310,703,505</u>	\$ <u>253,346,293</u>	\$ <u>57,357,212</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 6.875%, 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 (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
District's Net Pension Liability \$	92,413,471	\$ 57,357,212	\$ 27,207,651

**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, 2020, the District recognized pension expense of \$9,220,274, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$5,317,076 and \$3,903,198, respectively. At December 31, 2020, 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	\$ 156,950	\$ 6,602,744
Changes of assumptions		18,920,552
Net difference between projected and actual earnings on pension plan investments	<u>20,344,725</u>	<u> </u>
Total	<u>\$ 20,501,675</u>	<u>\$ 25,523,296</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>	
2021	\$ 1,851,495
2022	4,524,531
2023	(1,650,253)
2024	<u>295,848</u>
	<u>\$ 5,021,621</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, 2020, 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	\$ 588,432	\$ 9,105,814	\$ 9,694,246
Accounts receivable	43,602	142,272	185,874
Investments, at fair value:			
Mutual funds	25,700,261		25,700,261
Guaranteed investment contracts	25,623,113		25,623,113
Land	3,705,913		3,705,913
Commingled collective trusts	179,076,798		179,076,798
Real estate	18,608,174		18,608,174
Total assets	<u>253,346,293</u>	<u>9,248,086</u>	<u>262,594,379</u>
LIABILITIES			
Due to other funds		127,266	127,266
Retiree expense reimbursement payable		2,667	2,667
Total liabilities	<u>-</u>	<u>129,933</u>	<u>129,933</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</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	\$ 8,650,763	\$ 10,349,000	\$ 18,999,763
Plan members	2,385,458	1,477,112	3,862,570
Total contributions	<u>11,036,221</u>	<u>11,826,112</u>	<u>22,862,333</u>
Investment earnings:			
Net change in fair value of investments	32,713,513		32,713,513
Interest and dividends	2,613,761	3,198	2,616,959
Total investment earnings (loss)	<u>35,327,274</u>	<u>3,198</u>	<u>35,330,472</u>
Less investment expenses:			
Investment management fees	948,336	667	949,003
Net investment earnings (loss)	<u>34,378,938</u>	<u>2,531</u>	<u>34,381,469</u>
Total additions (reductions)	<u>45,415,159</u>	<u>11,828,643</u>	<u>57,243,802</u>
Deductions:			
Benefits	18,776,033	6,244,093	25,020,126
Administrative expense	79,174		79,174
Total deductions	<u>18,855,207</u>	<u>6,244,093</u>	<u>25,099,300</u>
Change in Net Position	26,559,952	5,584,550	32,144,502
Net Position at Beginning of Year	<u>226,786,341</u>	<u>3,533,603</u>	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</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, 2020. 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 June 5, 2018 contribute 5% of regular compensation and new employees hired after June 5, 2018 contribute 7.5% of regular compensation);
- (b) Actuarially determined employer contribution as based upon different presumptions (ranged from \$5 million to \$6 million per annum);
- (c) Investment returns from discretionary funds including equity, lumber and real estate assets;
- (d) Interest paid by Aetna for use of monies in financial and insurance business

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

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

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

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

Basis of Accounting

The OPEB Trust Fund's financial statements are prepared on the accrual basis of accounting. Employees and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are expensed. 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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 0.08%. 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, 2020. The components of the net OPEB liability of the District at December 31, 2020 were as follows:

Total OPEB liability	\$ 182,380,057
Plan fiduciary net position	<u>9,118,153</u>
 Net OPEB Liability	 <u>\$ 173,261,904</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 5.00%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 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, 2020 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%	1.85%
Large Cap U.S. Equities	80%	4.35%

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.

The discount rate at December 31, 2020 increased 4.135% to 6.875% from 2.74% at December 31, 2019.

Changes in Net OPEB Liability

Metropolitan District Employees' Retirement System			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of January 1, 2020	\$ 374,978,887	\$ 3,533,603	\$ 371,445,284
Changes for the year:			
Service cost	8,810,535		8,810,535
Interest on total OPEB liability	10,444,711		10,444,711
Changes of benefit terms	(41,393)		(41,393)
Differences between expected and actual experience	(72,440,991)		(72,440,991)
Changes in assumptions	(134,145,298)		(134,145,298)
Employer contributions		10,349,000	(10,349,000)
Member contributions		1,477,112	(1,477,112)
Net investment gain (loss)		2,531	(2,531)
Benefit payments, including refund of employee contributions	(5,226,394)	(6,244,093)	1,017,699
Administrative expenses			-
Net changes	(192,598,830)	5,584,550	(198,183,380)
Balances as of December 31, 2020	\$ 182,380,057	\$ 9,118,153	\$ 173,261,904

**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	\$ 196,351,189	\$ 173,261,904	\$ 154,223,053

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	\$ 149,925,623	\$ 173,261,904	\$ 202,110,398

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

For the year ended December 31, 2020, the District recognized OPEB revenue of \$14,864,256, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$8,571,804 and \$6,292,452, respectively. At December 31, 2020, 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	\$ 57,952,793	\$ 5,658,787
Changes of assumptions	128,675,991	40,934,382
Net difference between projected and actual earning on OPEB plan investments		225,196
Total	<u>\$ 186,628,784</u>	<u>\$ 46,818,365</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>	
2021	\$ (33,366,807)
2022	(33,366,804)
2023	(31,809,421)
2024	<u>(41,267,387)</u>
	<u>\$ (139,810,419)</u>

6. OTHER INFORMATION

A. Clean Water Project

The Clean Water Project addresses approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways 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 and was resubmitted with revisions in May 2020. The resubmitted LTCP introduces the concept of an "Integrated Plan", which recognizes the District's ongoing capital improvement and maintenance program and also furthers compliance with the governmental orders, with remedies such as replacing aged and damaged pipe and other system components, coupled with cleaning and other maintenance and rehabilitation activities, thereby increasing pipe capacity to reduce overflows. The concept and guidelines for Integrated Planning were introduced and accepted by EPA in 2012 for communities dealing with CSO compliance issues while maintaining existing aging infrastructure in an affordable manner. Managing this program balances new capital expenditures with maintenance expenditures, with priorities addressed to reduce, insofar as practical, costly emergency repairs of sewer collapses and other problems. The resubmitted LTCP retains the South Tunnel which is in construction, and 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.

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 for the next several years and then increase to approximately \$7.40 per hundred cubic feet (ccf) and remain at least at that level for a considerable period as the ongoing capital maintenance and rehabilitation program continues. The District Board sets the Clean Water Project Charge without the need for other approvals. The primary reasons for the increase in the Clean Water Project Charge are due to inflation of costs to complete the LTCP on a longer schedule and the inclusion of asset management projects, such as sewer lining, which previously were contemplated to be paid for through ad valorem taxes. As a result, the future increases to ad valorem taxes will be mitigated while the estimated total cost to the rate payers for both the Clean Water Project Charge and ad valorem taxes remain about the same on average. This assumes a continued level of Federal and State support in the form of grants and low-cost loans consistent with the support provided to date. Other options would increase the surcharge, particularly those options that accelerate work or change the sequencing, as would a change in the level of Federal and State funding support. The District remains mindful of maintaining an overall level of affordability for rate payers of the District, and in particular the residents of Hartford, which may lead to future adjustment in the nature of the Clean Water Project and its cost and financing. No assurance can be given as to the final cost of the Clean Water Project or the precise composition of its funding.

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

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

The District has issued, to date, \$271.075 million in Clean Water Project Revenue Bonds, \$252.350 million of which were outstanding as of December 31, 2020. 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. In 2020 the District purchased cyber liability insurance. The District established an internal service fund, the self-insurance fund, to account for and finance the retained risk of loss.

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

At December 31, 2019, the District had a deficit of \$6,537,627 in the self-insurance fund. The District was able to allocate this same amount to the self-insurance fund from unapplied funds that resided in the Clean Water Project fund. The claims liability of \$6,283,811 for the self-insurance fund reported at December 31, 2020 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
2019	\$	6,181,157	\$ 17,651,151	\$ 17,473,769	\$ 6,358,539
2020		6,358,539	18,074,522	18,149,250	6,283,811

C. Contingent Liabilities

Arbitrage

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

Other

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

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

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

THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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

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

In January, 2020, the MDC and plaintiffs engaged in mediation which resulted in a proposed settlement of the class action suit. The MDC District Board approved the Settlement Agreement on February 10, 2020, and the Settlement Agreement was executed by both parties. On April 21, 2020, the trial court granted a motion for preliminary approval of the class action settlement. Final approval of the Settlement Agreement occurred on September 3, 2020 at a court hearing. The basic terms of the settlement are that customers that paid the non-member town surcharge from March 2012 to October 2014 will either receive a credit in the amount of 103% of the surcharges paid on their current MDC water account or, if they are no longer an MDC water customer, receive a payment for 100% of the amount of the surcharges paid by the former customer, less any court-approved attorney's fees and costs. The total settlement value of all claims and attorney's fees is capped at \$7,680,000. This amount is included in the settlement liability and is a 2021 expense in the Water Utility fund. Unclaimed amounts by former MDC customers will be returned to the MDC.

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

THE METROPOLITAN DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxation:				
Hartford	\$ 13,035,400	\$ 13,035,400	\$ 13,035,400	\$ -
East Hartford	6,089,300	6,089,300	6,089,300	-
Newington	4,623,100	4,623,100	4,623,100	-
Wethersfield	4,240,800	4,240,800	4,240,800	-
Windsor	4,611,600	4,611,600	4,611,600	-
Bloomfield	3,879,300	3,879,300	3,879,300	-
Rocky Hill	3,144,100	3,144,100	3,144,100	-
West Hartford	11,852,100	11,852,100	11,852,100	-
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	1,269,400	1,269,400	1,392,704	123,304
Customer service charge	7,776,300	7,776,300	7,590,396	(185,904)
Nonmunicipal - tax exempt	6,159,900	6,159,900	5,876,363	(283,537)
Hi-flow charges	2,797,300	2,797,300	2,366,095	(431,205)
Hi-strength	988,000	988,000	613,439	(374,561)
Manchester	202,900	202,900	220,234	17,334
South Windsor	26,800	26,800	12,773	(14,027)
Farmington	143,700	143,700	82,776	(60,924)
Cromwell	8,800	8,800	11,738	2,938
Total sewer user fees	<u>19,373,100</u>	<u>19,373,100</u>	<u>18,166,518</u>	<u>(1,206,582)</u>
Intergovernmental:				
Sludge handling	11,436,400	11,436,400	10,756,758	(679,642)
Household hazardous waste	30,000	30,000	27,672	(2,328)
Total intergovernmental	<u>11,466,400</u>	<u>11,466,400</u>	<u>10,784,430</u>	<u>(681,970)</u>
Investment income	<u>600,000</u>	<u>600,000</u>	<u>145,404</u>	<u>(454,596)</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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Other revenues:				
Bill jobs	\$ 20,000	\$ 20,000	\$ 33,142	\$ 13,142
FOG Charges	150,000	150,000	236,899	86,899
Developers	582,000	582,000	43,768	(538,232)
Payroll additives and indirect costs			71,056	71,056
Late payment charges	1,029,900	1,029,900	698,774	(331,126)
Labor additives and overhead			99,667	99,667
Property rents	153,800	153,800	139,808	(13,992)
Sale of materials/equipment	88,000	88,000	85,876	(2,124)
Septage/glycol discharge fees	1,463,700	1,463,700	1,293,419	(170,281)
Rebates and reimbursements	15,000	15,000	139,213	124,213
PM Unit	8,291,000	8,291,000	8,291,000	-
Vendor discount revenue	500	500	220	(280)
Miscellaneous	150,000	150,000	130,338	(19,662)
Total other revenues	11,943,900	11,943,900	11,263,180	(680,720)
Total revenues	94,859,100	94,859,100	91,835,232	(3,023,868)
Total Revenues and Other Financing Sources	94,859,100	94,859,100	91,835,232	(3,023,868)
Expenditures:				
General government:				
District Board	203,600	203,600	163,378	40,222
Executive office	1,481,100	1,481,100	1,236,177	244,923
Legal	779,000	779,000	651,257	127,743
Information systems	2,730,500	2,730,500	2,585,437	145,063
Finance	2,459,600	2,459,600	2,237,757	221,843
Total general government	7,653,800	7,653,800	6,874,006	779,794
Engineering and planning	662,900	662,900	509,238	153,662
Operations:				
Environmental health and safety	467,500	467,500	373,088	94,412
Command Center	1,475,800	1,475,800	1,350,540	125,260
Chief Operating office	341,500	341,500	338,854	2,646
Customer service	1,060,300	1,060,300	950,727	109,573
Operations	2,750,100	2,750,100	2,446,601	303,499
Total operations	6,095,200	6,095,200	5,459,810	635,390

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, 2020

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Plants and maintenance:				
Water pollution control	\$ 17,616,800	\$ 17,616,800	\$ 15,566,643	\$ 2,050,157
Laboratory services	868,400	868,400	734,813	133,587
Maintenance	5,636,200	5,636,200	5,003,671	632,529
Special agreements and programs	1,431,400	1,431,400	1,396,964	34,436
Total plants and maintenance	<u>25,552,800</u>	<u>25,552,800</u>	<u>22,702,091</u>	<u>2,850,709</u>
Employee benefits and other:				
Employee benefits	14,075,100	14,075,100	13,967,597	107,503
General insurance	2,370,700	2,370,700	2,235,390	135,310
Total employee benefits and other	<u>16,445,800</u>	<u>16,445,800</u>	<u>16,202,987</u>	<u>242,813</u>
Contingency	<u>1,980,000</u>	<u>1,980,000</u>	-	<u>1,980,000</u>
Debt service:				
Principal	21,800,000	22,950,000	18,685,930	4,264,070
Interest	14,352,600	13,267,600	13,057,777	209,823
Legal services	316,000	251,000	295,459	(44,459)
Total debt service	<u>36,468,600</u>	<u>36,468,600</u>	<u>32,039,166</u>	<u>4,429,434</u>
Total expenditures	<u>94,859,100</u>	<u>94,859,100</u>	<u>83,787,298</u>	<u>11,071,802</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	8,047,934	\$ <u>8,047,934</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	1,000,000
The District does not budget for sales accruals	706,703
The District does not budget for certain interest and note expense	(28,105)
The District does not budget for billable or developer payroll	(143,669)
The District does not budget for certain non-funded payroll	(152,329)
The District does not budget for year end payroll accruals	(143,111)
The District does not budget for bad debts	(1,427,621)
The District does not budget for year end expense accruals	(366,821)
The District does not budget for the retirement incentive plan	<u>(11,025)</u>

Net Change in Fund Balance as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds \$ 7,481,956

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

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 4,679,208	\$ 4,201,054	\$ 4,088,615	\$ 3,989,674	\$ 4,121,036	\$ 3,977,923	\$ 3,534,272
Interest	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	1,826,376	2,788,238	8,180,799	(605,374)	159,570	(348,426)	
Changes of assumptions	18,425,798	6,966,524				7,992,450	
Benefit payments, including refunds of member contributions	(18,776,033)	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,437,612)
Net change in total pension liability	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	284,902,241	269,964,668	257,137,288	252,793,496	246,828,827	233,821,211	228,863,187
Total pension liability - ending	310,703,505	284,902,241	269,964,668	257,137,288	252,793,496	246,828,827	233,821,211
Plan fiduciary net position:							
Contributions - employer	8,650,763	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000
Contributions - member	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)	34,378,938	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	(18,776,033)	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,448,154)
Administrative expense	(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	26,559,952	25,081,857	(18,216,168)	18,633,255	6,373,299	(3,986,437)	6,550,466
Plan fiduciary net position - beginning	226,786,341	201,704,484	219,920,652	201,287,397	194,914,098	198,900,535	192,350,069
Plan fiduciary net position - ending	253,346,293	226,786,341	201,704,484	219,920,652	201,287,397	194,914,098	198,900,535
District's Net Pension Liability - Ending	\$ 57,357,212	\$ 58,115,900	\$ 68,260,184	\$ 37,216,636	\$ 51,506,099	\$ 51,914,729	\$ 34,920,676
Plan fiduciary net position as a percentage of the total pension liability	81.54%	79.60%	74.72%	85.53%	79.63%	78.97%	85.07%
Covered payroll	\$ 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	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, 2020 decreased 0.125% to 6.875% from 7.00% at December 31, 2019.

Mortality assumption change: The mortality table was updated to the 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. Previously, the mortality assumption used the RP-2000 mortality table (using a 75%/25% blend of the Blue Collar and White Collar rates) with generational projection to Scale AA.

*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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 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	\$ 15,050,472	\$ 8,809,272
Contributions in relation to the actuarially determined contribution	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	4,633,200	2,863,964
Contribution Deficiency (Excess)	\$ (1,894,418)	\$ 1,068,345	\$ (852,521)	\$ (923,622)	\$ -	\$ (194,777)	\$ (60,399)	\$ (76,572)	\$ (474,542)	\$ 10,417,272	\$ 5,945,308
Covered payroll	\$ 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	\$ 43,872,205	\$ 45,271,276
Contributions as a percentage of covered payroll	19.26%	12.66%	15.19%	14.97%	14.47%	14.07%	14.27%	15.17%	14.08%	10.56%	6.33%

Notes to Schedule

Valuation date: January 1, 2020
 Measurement date: December 31, 2020
 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: Entity Age Normal
- Amortization method: Level percent, closed
- Remaining amortization period: 19 years
- Asset valuation method: 5-years, non-asymptotic
- Inflation: 2.75%
- Salary increases: 3.50%
- Investment rate of return: 6.875%
- 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 SEVEN FISCAL YEARS*

	<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	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 FOUR FISCAL YEARS*

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 8,810,535	\$ 6,698,208	\$ 8,531,854	\$ 7,730,316
Interest	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	(5,226,394)	(5,465,311)	(5,313,360)	(5,564,433)
Net change in total OPEB liability	(192,598,830)	85,680,224	(25,018,533)	29,304,791
Total OPEB liability - beginning	374,978,887	289,298,663	314,317,196	285,012,405
Total OPEB liability - ending	182,380,057	374,978,887	289,298,663	314,317,196
Plan fiduciary net position:				
Contributions - employer	10,349,000	9,146,000	5,000,000	5,000,000
Contributions - member	1,477,112	1,155,677	869,481	804,712
Net investment income (loss)	2,531			
Reimbursements		179,878	241,355	451,135
Benefit payments	(6,244,093)	(6,341,967)	(6,185,680)	(6,595,450)
Administrative expense	-	(5,589)		
Special item				(26,346,000)
Net change in plan fiduciary net position	5,584,550	4,133,999	(74,844)	(26,685,603)
Plan fiduciary net position - beginning	3,533,603	(600,396)	(525,552)	26,160,051
Plan fiduciary net position - ending	9,118,153	3,533,603	(600,396)	(525,552)
Net OPEB Liability - Ending	\$ 173,261,904	\$ 371,445,284	\$ 289,899,059	\$ 314,842,748
Plan fiduciary net position as a percentage of the total OPEB liability	5.00%	0.94%	-0.21%	-0.17%
Covered payroll	\$ 43,143,678	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483
Net OPEB liability as a percentage of covered payroll	401.59%	860.95%	665.89%	723.19%

Notes to Schedule:

Discount rate changes: The discount rate at December 31, 2020 increased 4.135% to 6.875% from 2.74% at December 31, 2019.

Medical trend rate changes: The medical trend rate at December 31, 2020 increased to 6.50% (6.30% for Post-65) - 4.30% over 53 years from a medical trend rate of 5.50% - 4.40% over 75 years at December 31, 2019.

Mortality assumption change: The mortality table was updated to the 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. Previously, the mortality assumption used the RP-2000 mortality table (using a 75%/25% blend of the blue Collar and White Collar rates) with generational projection to Scale AA.

* 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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution (1)	\$ 13,846,000	\$ -	\$ -	\$ 18,458,692	\$ 15,855,000	\$ 14,765,820	\$ 15,755,000	\$ 15,162,000	\$ 14,301,000	\$ 19,989,745
Contributions in relation to the actuarially determined contribution	10,349,000	9,146,000	5,000,000	5,000,000	5,000,000	5,000,000	5,588,854	6,512,592	7,932,085	26,995,985
Contribution deficiency (excess)	\$ 3,497,000	\$ (9,146,000)	\$ (5,000,000)	\$ 13,458,692	\$ 10,855,000	\$ 9,765,820	\$ 10,166,146	\$ 8,649,408	\$ 6,368,915	\$ (7,006,240)
Covered payroll	\$ 43,143,678	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483	\$ 41,000,000	\$ 41,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ N/A
Contributions as a percentage of covered payroll	23.99%	21.20%	11.48%	11.48%	12.20%	12.20%	13.97%	16.28%	19.83%	N/A

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

Notes to Schedule

Valuation date: January 1, 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**

LAST FOUR FISCAL YEARS*

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

**SUPPLEMENTAL, COMBINING
STATEMENTS AND SCHEDULES**

THE METROPOLITAN DISTRICT
 ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND
 SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - CONNECTION CHARGE PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Year	Total Assessments Billed	Assessments Receivable January 1, 2020	Assessments Billed	Assessment Collections	Assessment Adjustments	Assessments Receivable December 31, 2020	Interest Collected
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				41,485	
2004	1,155,681	27,484		1,237	5,105	21,142	150
2005	804,622	225,931		27,665	173	198,093	244
2006	1,786,053	16,128		1,691		14,437	209
2007	1,120,400	8,763				8,763	
2008	1,108,907	35,227		12,821		22,406	8,386
2009	568,934	24,536		5,568		18,968	1,875
2010	895,500	201,562		31,054		170,508	12,094
2011	333,050	92,592		21,591	92	70,909	10,076
2012	139,933	39,627		4,562		35,065	2,851
2013	337,982	11,098		4,886		6,212	666
2014	99,496	40,207		2,210		37,997	1,947
2015	892,511	98,777		6,956		91,821	6,350
2016	2,138,838	151,003		5,496		145,507	4,790
2017	1,158,191	26,213		473	8,879	16,861	575
2018	164,855	42,808		15,629	9	27,170	928
2019	263,001	57,358		11,711	24,045	21,602	2,735
2020			821,355	15,977		805,378	148
Total	\$ 17,886,987	\$ 1,159,925	\$ 821,355	\$ 169,527	\$ 38,303	\$ 1,773,450	\$ 54,024

THE METROPOLITAN DISTRICT
ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - FLAT RATE PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Year	Total Assessments Billed	Assessments Receivable January 1, 2020	Assessments Billed	Assessment Collections	Assessment Adjustments	Assessments Receivable December 31, 2020	Interest Collected
2000	\$ 597,575	\$ 20,375	\$	\$	\$	20,375	\$
2001	514,481	7,950				7,950	
2002	375,756	-				-	
2003	684,750	17,449				17,449	
2004	714,634	31,412				31,412	
2005	18,097	877				877	
2006	258,777	5,006		2,445		2,561	302
2007	677,398	54,546		4,259	18,168	32,119	5,017
2008	113,301	48,792		11,835	3	36,954	3,895
2009	146,490	47,495		13,931	24,662	8,902	30,277
2010	219,724	17,462		2,488	16	14,958	1,048
2011	97,616	25,481		74		25,407	45
2012	53,935	32,286		3,555	77	28,654	340
2013						-	
2014	380,405	88,918		18,858	5,793	64,267	3,569
2015	198,421	26,800		7,155	11	19,634	1,230
2016						-	
2017	29,506					-	
2018	26,131	25,478		692		24,786	872
2019	76,917					-	
2020			80,097	10,909		69,188	432
Total	\$ 5,183,914	\$ 450,327	\$ 80,097	\$ 76,201	\$ 48,730	\$ 405,493	\$ 47,027

**THE METROPOLITAN DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION AND
 OTHER EMPLOYEE BENEFIT TRUST FUNDS
 DECEMBER 31, 2020**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 588,432	\$ 9,105,814	\$ 9,694,246
Accounts receivable	43,602	142,272	185,874
Investments, at fair value:			
Mutual funds	25,700,261		25,700,261
Guaranteed investment contracts	25,623,113		25,623,113
Land	3,705,913		3,705,913
Commingled collective trusts	179,076,798		179,076,798
Real estate	18,608,174		18,608,174
Total assets	<u>253,346,293</u>	<u>9,248,086</u>	<u>262,594,379</u>
LIABILITIES			
Due to other funds		127,266	127,266
Retiree expense reimbursement payable		2,667	2,667
Total liabilities	<u>-</u>	<u>129,933</u>	<u>129,933</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</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, 2020**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 8,650,763	\$ 10,349,000	\$ 18,999,763
Plan members	2,385,458	1,477,112	3,862,570
Total contributions	<u>11,036,221</u>	<u>11,826,112</u>	<u>22,862,333</u>
Investment earnings:			
Net change in fair value of investments	32,713,513		32,713,513
Interest and dividends	2,613,761	3,198	2,616,959
Total investment earnings (loss)	<u>35,327,274</u>	<u>3,198</u>	<u>35,330,472</u>
Less investment expenses:			
Investment management fees	948,336	667	949,003
Net investment earnings (loss)	<u>34,378,938</u>	<u>2,531</u>	<u>34,381,469</u>
Total additions (reductions)	<u>45,415,159</u>	<u>11,828,643</u>	<u>57,243,802</u>
Deductions:			
Benefits	18,776,033	6,244,093	25,020,126
Administrative expense	79,174		79,174
Total deductions	<u>18,855,207</u>	<u>6,244,093</u>	<u>25,099,300</u>
Change in Net Position	26,559,952	5,584,550	32,144,502
Net Position at Beginning of Year	<u>226,786,341</u>	<u>3,533,603</u>	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</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
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Financial Trends	74-77
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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	78
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This schedule contains information to help the reader assess the District's most significant local revenue source, taxation of member municipalities.

Debt Capacity	79-81
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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	82
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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	83-85
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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.

TABLE 1

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities:										
Net investment in capital assets	\$ 846,161,504	\$ 809,568,713	\$ 738,962,237	\$ 628,338,124	\$ 586,568,408	\$ 484,901,567	\$ 455,295,358	\$ 404,221,698	\$ 376,209,565	\$ 357,567,083
Restricted	2,744,874	2,744,874					56,291,586	45,369,836	18,025,247	
Unrestricted	(56,289,770)	(57,460,793)	(38,317,559)	(37,710,011)	79,129,891	97,312,929	32,965,610	41,240,029	44,461,431	47,256,621
Total Governmental Activities Net Position	\$ 792,616,608	\$ 754,842,794	\$ 700,644,678	\$ 590,628,113	\$ 665,698,299	\$ 582,214,496	\$ 544,552,554	\$ 490,831,563	\$ 438,696,233	\$ 404,823,704
Business-Type Activities:										
Net investment in capital assets	\$ 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	\$ 251,051,504
Restricted							114,520	3,335,436	282,217	
Unrestricted	(130,180,132)	(182,249,667)	(168,750,519)	(126,684,152)	(37,981,423)	(17,023,254)	(31,124,873)	(13,801,825)	14,004,932	21,695,117
Total Business-Type Activities Net Position	\$ 151,044,879	\$ 90,303,443	\$ 116,018,116	\$ 155,671,248	\$ 224,061,632	\$ 250,721,817	\$ 225,070,524	\$ 245,463,376	\$ 272,971,035	\$ 272,746,621
Primary Government:										
Net investment in capital assets	\$ 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	\$ 608,618,587
Restricted	2,744,874	2,744,874					56,406,106	48,705,272	18,307,464	
Unrestricted	(186,469,902)	(239,710,460)	(207,068,078)	(164,394,163)	41,148,468	80,289,675	1,840,737	27,438,204	58,466,363	68,951,738
Total Primary Government Net Position	\$ 943,661,487	\$ 845,146,237	\$ 816,662,794	\$ 746,299,361	\$ 889,759,931	\$ 832,936,313	\$ 769,623,078	\$ 736,294,939	\$ 711,667,268	\$ 677,570,325

TABLE 2

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
General government	\$ 12,532,933	\$ 22,503,242	\$ 3,478,751	\$ 12,782,032	\$ 13,683,241	\$ 12,337,881	\$ 12,784,187	\$ 9,524,064	\$ 8,866,521	\$ 10,129,598
Engineering and planning							877,678	486,626	255,872	1,586,506
Operations	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	6,412,930
Plants and maintenance	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	26,362,389
Interest on long-term debt	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	7,608,354
Total governmental activities expenses	113,172,137	154,705,165	78,770,521	97,426,987	109,919,840	67,169,312	72,607,173	59,063,248	56,575,652	52,099,777
Business-type activities										
Water	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	56,895,453
Hydroelectricity	2,037,099	2,116,807	247,281	702,704	827,100	479,326	394,359	345,431	402,924	321,966
Mid-Connecticut Project					1,793,246	761,311	2,166,557	6,091,844	11,400,744	27,896,462
Total business-type activities expenses	75,588,805	109,699,905	124,576,081	92,276,217	86,645,550	85,645,424	82,158,438	75,150,512	75,522,895	84,913,881
Total Primary Government Expenses	\$ 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	\$ 137,013,658
Program revenues										
Governmental activities										
Charges for services	\$ 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	\$ 40,448,907
Operating grants and contributions	10,111,198					3,992,310	1,039,223			
Capital grants and contributions	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	20,498,331
Total governmental activities program revenues	120,244,218	139,602,329	122,854,603	136,789,199	121,930,878	98,353,191	91,852,692	73,806,328	54,383,722	60,947,238
Business-type activities										
Charges for services	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	105,116,289
Capital grants and contributions	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	1,557,615
Total business-type activities program revenues	112,827,692	97,823,006	97,053,279	103,433,220	87,891,886	79,025,285	82,975,979	85,117,130	76,958,989	106,673,904
Total Primary Government Program Revenues	\$ 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	\$ 167,621,142
Net revenues (expenses)										
Governmental activities										
	\$ 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)	\$ 8,847,461
Business-type activities										
	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	21,760,023
Total Primary Government Net (Revenue) Expense	\$ 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)	\$ 30,807,484
General revenues and other changes in net position										
Governmental activities										
Sewer taxation - member municipalities	\$ 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	\$ 32,360,500
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	1,029,927	3,573,305	3,060,821	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854
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	2,518,973
Total governmental activities	30,701,733	69,300,952	65,932,483	(2,948,552)	70,155,208	37,835,338	39,461,307	37,392,250	36,064,459	35,158,327
Business-type activities										
Miscellaneous	1,620,957			1,906,736	2,130,684	2,204,726	5,661,124	2,160,605	1,010,677	770,949
Unrestricted investment earnings	77,898	270,730	236,085	201,900	40,783	15,338	138,537	110,747	95,296	106,672
Transfers	21,803,894	(14,108,504)	(12,366,415)		(28,760,431)		(1,556,735)	(2,144,402)	(2,317,653)	(2,518,973)
Special item				32,809,473						
Total business-type activities	23,502,549	(13,837,774)	(12,130,330)	34,918,109	(26,588,964)	2,220,064	4,242,926	126,950	(1,211,680)	(1,641,352)
Total Primary Government	\$ 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	\$ 33,516,975
Change in net position										
Governmental activities										
	\$ 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	\$ 44,005,788
Business-type activities										
	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	20,118,671
Total Primary Government	\$ 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	\$ 64,124,459

TABLE 3

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund:										
Nonspendable	\$ 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	\$ 1,749,997
Assigned								891,949	573,120	2,423,443
Unassigned	31,870,227	24,699,867	23,226,621	16,743,975	14,498,170	14,501,695	14,040,267	12,585,122	14,665,371	10,895,466
Total General Fund	\$ 35,585,675	\$ 28,103,719	\$ 26,291,943	\$ 19,594,978	\$ 17,546,018	\$ 17,489,167	\$ 16,694,898	\$ 15,457,243	\$ 16,625,734	\$ 15,068,906
All other governmental funds:										
Nonspendable	\$	\$	\$	\$ 53,957	\$ 183,283	\$ 319,960	\$ 17,034	\$ 19,951	\$ 42,748	\$ 3,193
Restricted	2,744,874	2,744,874	100,879,286	120,176,898	129,078,070	155,110,707	149,816,144	20,450,646	79,566,079	59,080,014
Committed	75,165,949	100,487,052	9,827,026	76,741,076	50,808,229	2,637,663	3,310,650	3,141,343	10,286,298	8,309,465
Unassigned	(31,175,587)		(6,272,630)	(130,243,360)	(76,526,304)	(102,328,055)	(114,364,898)	(101,036,586)	(227,346,425)	(108,722,305)
Total All Other Governmental Funds	\$ 46,735,236	\$ 103,231,926	\$ 104,433,684	\$ 66,728,571	\$ 103,543,278	\$ 55,740,275	\$ 38,778,930	\$ (77,424,646)	\$ (137,451,300)	\$ (41,329,633)

* Restated in current year

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Taxation - member municipalities	\$ 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	\$ 32,360,500
Assessments	1,071,240	696,265	458,413	1,519,217	2,312,965	1,332,938	1,603,914	1,085,603	504,330	715,456
Sewer user fees	83,717,134	77,482,872	63,888,022	62,678,046	60,242,461	54,093,916	57,226,390	43,062,980	35,225,903	28,120,415
Intergovernmental revenues	33,534,339	30,203,841	53,890,725	69,199,739	55,232,126	39,706,369	29,610,377	26,439,377	16,312,586	26,571,263
Investment income	1,029,827	3,573,305	3,060,820	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854
Other local revenues	1,363,443	5,945,349	8,385,615	6,083,916	4,022,343	2,473,789	4,051,117	1,807,930	2,254,590	5,704,035
Total revenues	172,191,883	166,054,732	174,687,595	182,820,433	161,340,596	135,325,773	128,856,035	107,588,067	88,035,868	93,750,523
Expenditures:										
Current:										
General government	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	7,463,935
Engineering and planning							247,304	36,396	118,517	1,124,966
Operations	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	3,281,022
Plants and maintenance	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	20,001,916
Employee benefits and other	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	8,388,095
Debt service:										
Principal retirement	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	12,675,029
Interest	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	7,830,669
Legal services	939,475									
Capital outlay	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	131,973,877
Total expenditures	249,432,069	283,534,835	296,513,041	345,240,516	325,041,481	242,828,246	242,340,402	226,245,008	214,570,878	192,739,509
Deficiency of revenues over expenditures	(77,240,206)	(117,480,103)	(121,825,446)	(162,420,083)	(163,700,885)	(107,502,473)	(113,484,367)	(120,656,941)	(126,535,010)	(98,988,986)
Other financing sources (uses):										
Bond proceeds	55,010,000	38,395,250	62,591,950		85,331,650	39,070,781	167,578,000	126,838,000		
Refunding bond proceeds	76,065,000	58,603,410			18,301,300		9,931,648			
Payment to refunded bond escrow agent	(76,935,985)	(68,712,098)			(21,140,765)		(10,757,266)			
Loan obligation proceeds	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	43,228,154
Bond premium	15,448,049	7,049,505	7,411,503		5,933,457	3,352,904	24,934,481	9,952,391		
Premium on refunding bonds	(49,825,431)	10,539,888			2,964,849		840,228			
Transfers in	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	30,834,857
Transfers out	(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)	(27,936,753)
Total other financing sources	28,225,472	118,090,121	166,227,524	127,654,336	211,560,739	109,190,310	230,925,588	179,515,104	31,970,171	46,126,258
Net change in fund balances	(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)	(52,862,728)
Fund balance at beginning of year	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)	26,592,001
Fund Balance at End of Year	\$ 82,320,911	\$ 131,335,645	\$ 130,725,627	\$ 86,323,549	\$ 121,089,296	\$ 73,229,442	\$ 55,743,828	\$ (61,967,403)	\$ (120,825,566)	\$ (26,270,727)
Debt Service as a Percentage to Noncapital Expenditures	60.72%	62.53%	61.39%	53.78%	49.22%	63.02%	50.10%	50.95%	36.69%	32.58%
Total Debt Service	\$ 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	\$ 20,505,698
Capitalized capital outlay	(98,882,354)	(133,794,027)	(172,201,352)	(224,712,443)	(208,127,036)	(182,349,655)	(166,226,160)	(167,432,856)	(153,268,996)	(133,071,304)
Noncapital expenditures	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	62,948,966

*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
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	24.71 10,298,600	10.78 4,490,100	7.89 3,287,300	7.25 3,022,000	7.73 3,222,600	6.61 2,752,400	5.17 2,153,700	19.73 8,219,700	37,446,400
2014	26.64 10,374,400	10.82 4,213,200	8.04 3,132,300	7.25 2,824,400	7.99 3,111,900	6.71 2,612,500	5.36 2,089,100	20.03 7,798,800	36,156,600
2013	28.61 9,955,500	11.39 3,964,500	8.66 3,014,900	7.92 2,756,900	8.70 3,026,500	7.43 2,584,900	5.78 2,011,100	21.51 7,485,100	34,799,400
2012	28.28 9,472,000	11.51 3,856,000	8.62 2,888,200	8.01 2,682,500	8.83 2,956,200	7.43 2,488,900	5.80 1,941,700	21.52 7,207,700	33,493,200
2011	27.96 9,046,600	11.65 3,769,700	8.64 2,794,700	8.10 2,619,900	8.94 2,893,400	7.41 2,399,000	5.78 1,869,100	21.52 6,968,100	32,360,500

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	Total Outstanding Debt			
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	
2011	156,274,915	145,865,280		4,963,303	90,204,432	7,099,177	2,822,048	407,229,155	3.94%	1,113	

TABLE 7

THE METROPOLITAN DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt limit	\$ 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	\$ 1,201,875,400
Total net debt applicable to limit	897,446,518	923,986,892	945,046,541	946,055,259	907,121,892	721,360,548	508,198,906	587,681,341	560,433,771	436,356,760
Legal Debt Margin	\$ 419,799,673	\$ 374,966,153	\$ 332,764,947	\$ 314,188,035	\$ 336,777,128	\$ 490,196,208	\$ 687,878,750	\$ 601,546,707	\$ 658,986,121	\$ 765,518,640
Total net debt applicable to the limit as a percentage of debt limit	68.13%	71.13%	73.96%	75.07%	72.93%	59.54%	42.49%	49.42%	45.96%	36.31%

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, 2020**

Schedule of Debt Limitation

Combined 2020 Grand List of Member Municipalities of the District		\$ <u>26,344,923,810</u>
Debt Limit, 5% thereof		\$ 1,317,246,191
Total Outstanding Debt, December 31, 2020:		
Water General Obligation Bonds	\$ 169,255,842	
DWSRF Project Loan Obligations	48,527,291	
Sewer General Obligation Bonds	179,636,459	
CWF Project Loan Obligations	29,831,189	
Clean Water Project General Obligation Bonds (B)	47,325,000	
Clean Water Project Revenue Bonds (B)	252,350,000	
Clean Water Project CWF Project Loan Obligations (B)	389,187,597	
Combined General Obligation Bonds	<u>151,182,699</u>	
Total Direct-Long-Term Indebtedness	<u>1,267,296,077</u>	
Outstanding Bonds and Notes	93,185,000	
DWSRF Interim Funding Obligation	1,799,195	
CWF Interim Funding Obligation (B)	<u>133,451,321</u>	
Total Direct Short-Term Indebtedness	<u>228,435,516</u>	
Total Direct Indebtedness	<u>1,495,731,593</u>	
Less Outstanding Debt Not Subject to Debt Limitation:		
Water Bonds (A)	169,255,842	
DWSRF Project Loan Obligations	48,527,291	
DWSRF Interim Funding Obligations	1,799,195	
Clean Water Project Revenue Bonds (B)	252,350,000	
Water's Share of Combined General Obligation Bonds	77,103,177	
Water's Share of Outstanding Water Notes	<u>49,249,570</u>	
Total Outstanding Debt Not Subject to Debt Limitation	<u>598,285,075</u>	
Total Debt Subject to Debt Limitation		<u>897,446,518</u>
Excess of Charter Debt Limitation Over Outstanding Debt		<u>\$ 419,799,673</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.

TABLE 9

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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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%
2011	365,806	10,347,099,579	28,286	37.9	54,914	11.52%

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**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Officials/administrators	28	36	31	32	34	32	33	31	34	34
Other administrative	32	33	31	30	32	33	35	34	36	39
Professional/technical	162	160	164	166	170	174	172	167	172	186
Protective service	12	10	8	8	8	8	9	9	9	15
Skilled craft, service/maintenance	227	240	240	246	265	275	275	278	289	315
Total	461	479	474	482	509 0	522	524	519	540	589

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

TABLE 11

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<u>Water Operations</u>										
Miles of water mains added	0.12	3.04	3.71	0.77	1.56	2.10	5.58	2.00	1.00	(2.00)
Total miles of water mains	1,562	1,562	1,557	1,554	1,553	1,551	1,549	1,543	1,541	1,540
Water connections made	101,731	102,184	102,051	101,836	101,599	101,446	101,217	102,669	102,449	102,324
Average daily consumption (millions of gallons)	47.63	45.80	37.34	39.30	39.59	40.07	42.02	40.25	42.27	41.95
Maximum consumption (millions of gallons daily)	69.89	63.65	68.80	61.70	71.94	70.09	69.59	71.84	74.68	87.06
Minimum consumption (millions of gallons daily)	38.15	38.94	37.84	39.20	39.9	37.57	38.46	35.85	35.19	42.69
Number of hydrants	10,216	10,166	10,720	10,329	10,197	11,238	11,484	11,238	11,178	11,146
Number of meters	100,452	98,250	99,946	98,239	102,987	101,400	102,828	103,340	103,125	102,895
Plant capacity (millions of gallons)	126	126	126	126	126	126	126	126	126	105

Source: MDC Budgets

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<u>Sewer Operations</u>										
Miles of sewer mains added	2.43	0.81	1.20	(0.34)	1.57	2.89	2.80	3.37	2.29	(0.22)
Total miles of sanitary sewers	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	1,075.58
Miles of combined sewers	159	159	159	159	159	159	160	160	160	160
Miles of storm sewers	79	79	79	78	79	79	76	76	73	72
Sewer connections made	91,376	91,208	91,037	91,011	90,728	90,566	90,666	90,220	90,035	89,969
Average daily flow (millions of gallons)	72.30	79.42	80.70	65.20	56.70	60.50	65.30	66.00	60.30	83.20
Plant capacity (millions of gallons)	105	105	105	105	105	105	105	105	105	105

Source: MDC Budgets



INDEPENDENT AUDITORS' REPORT

To the Board of Finance
The Metropolitan District
Hartford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Metropolitan District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
June 25, 2021

**The Metropolitan District
Management's Discussion and Analysis
December 31, 2020**

The management of the Metropolitan District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- On a government-wide basis, the assets of the District exceeded its liabilities at the close of the current year by \$792,616,608 and \$151,044,879 for Governmental Activities and Business-Type Activities, respectively.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$82,320,911 a decrease of \$49,014,734 in comparison with the prior year.
- On a government-wide basis, the District's total net position increased by \$37,773,814 and \$60,741,436 for the Governmental Activities and Business-Type Activities, respectively.
- Deferred outflows of resources of the District were \$32,229,940 and \$42,579,595 for the Governmental Activities and Business-Type Activities, respectively. Deferred inflows of resources of the District were \$89,068,803 and \$120,922,256 for the Governmental Activities and Business-Type Activities, respectively.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been provided for the General Fund to demonstrate compliance with this budget. These can be found on pages 61-63 of this report.

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

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-60 of this report.

Supplemental Combining Statements and Schedules

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the District, assets exceeded liabilities by \$792,616,608 and \$151,044,879 for the Governmental Activities and Business-Type Activities, respectively, at the close of the most recent fiscal year.

By far the largest portion of the District's assets is its investment in capital assets (e.g., infrastructure, plants, machinery and equipment). It is presented in the statement of net position less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets, net of accumulated depreciation, is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Set out below is a comparison of the District's net position at the end of fiscal 2020 compared to the prior year, and the changes in net position for fiscal 2019, compared to the prior year.

The Metropolitan District NET POSITION December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and other assets	\$ 159,323,886	\$ 119,634,345	\$ 278,958,231	\$ 154,142,887	\$ 79,608,216	\$ 233,751,103
Capital assets, net of accumulated depreciation	1,970,906,638	648,901,852	2,619,808,490	1,905,798,421	608,196,939	2,513,995,360
Total assets	<u>2,130,230,524</u>	<u>768,536,197</u>	<u>2,898,766,721</u>	<u>2,059,941,308</u>	<u>687,805,155</u>	<u>2,747,746,463</u>
Deferred outflows of resources	32,229,940	42,579,595	74,809,535	34,709,913	46,713,175	81,423,088
Current liabilities	82,128,023	65,558,474	147,686,497	28,143,066	7,448,060	35,591,126
Long-term liabilities outstanding	1,198,647,030	473,590,183	1,672,237,213	1,293,425,040	612,291,938	1,905,716,978
Total liabilities	<u>1,280,775,053</u>	<u>539,148,657</u>	<u>1,819,923,710</u>	<u>1,321,568,106</u>	<u>619,739,998</u>	<u>1,941,308,104</u>
Deferred inflows of resources	89,068,803	120,922,256	209,991,059	18,240,321	24,474,889	42,715,210
Net Position:						
Net investment in capital assets	846,161,504	281,225,011	1,127,386,515	809,558,713	272,553,110	1,082,111,823
Restricted	2,744,874		2,744,874	2,744,874		2,744,874
Unrestricted	<u>(56,289,770)</u>	<u>(130,180,132)</u>	<u>(186,469,902)</u>	<u>(57,460,793)</u>	<u>(182,249,667)</u>	<u>(239,710,460)</u>
Total Net Position	<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>

The District's net position increased by \$98,515,250 overall during the fiscal year with ending net position of Governmental Activities and Business-Type Activities of \$792,616,608 and \$151,044,879 respectively.

Governmental Activities

The net position of governmental activities increased \$37,773,814 from the prior year, primarily due to an increase in capital assets of \$65,108,217 offset by a decrease of \$40,793,053 in liabilities.

Deferred outflow of resources decreased \$2,479,973 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources increased \$70,828,482 compared to prior year due to changes in actuarial assumption related to OPEB discount rate change and differences between expected and actual experience.

Business-Type Activities

The total net position of business-type activities increased \$60,741,436 from prior year, primarily due to a decrease in settlement liability of \$7,900,000 in addition to an increase in investment in capital assets of \$8,671,901.

Deferred outflow of resources decreased \$4,133,580 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources increased by \$96,447,367 compared to prior year due to changes in actuarial assumption related to OPEB discount rate change and differences between expected and actual experience.

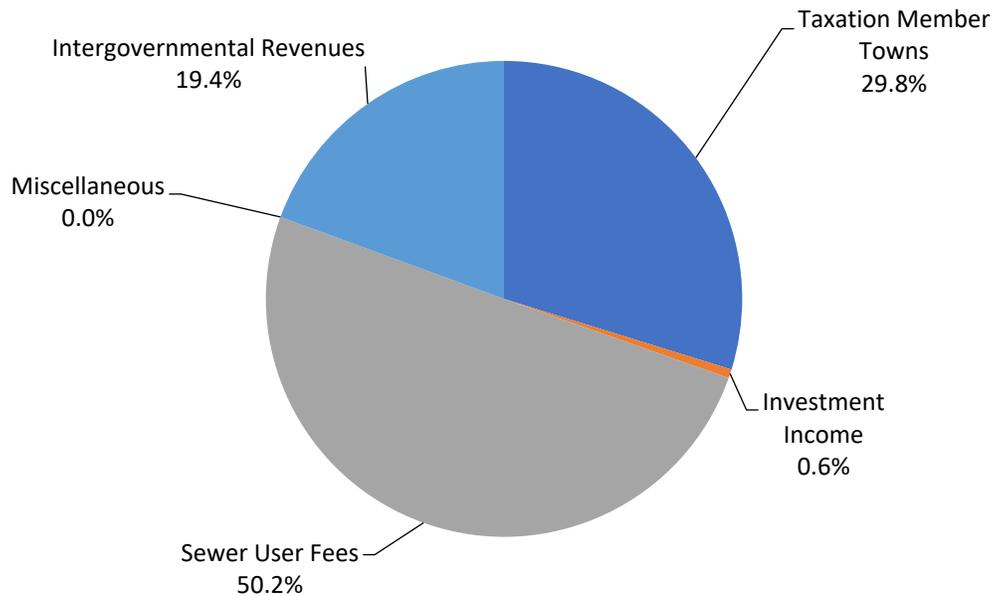
The Metropolitan District CHANGES IN NET POSITION For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 86,709,779	\$ 106,176,291	\$ 192,886,070	\$ 86,222,994	\$ 92,873,907	\$ 179,096,901
Operating grants and contributions	10,111,198		10,111,198			-
Capital grants and contributions	23,423,241	6,651,401	30,074,642	53,379,335	4,949,099	58,328,434
General revenues:						
Sewer taxation - member municipalities	51,475,700		51,475,700	48,153,100		48,153,100
Unrestricted investment earnings	1,029,927	77,698	1,107,625	3,573,305	270,730	3,844,035
Miscellaneous income		1,620,957	1,620,957	3,466,043		3,466,043
Total revenues	<u>172,749,845</u>	<u>114,526,347</u>	<u>287,276,192</u>	<u>194,794,777</u>	<u>98,093,736</u>	<u>292,888,513</u>
Expenses:						
General government	12,632,933		12,632,933	22,503,242		22,503,242
Operations	19,918,024		19,918,024	32,724,856		32,724,856
Plants and maintenance	49,634,121		49,634,121	71,412,175		71,412,175
Interest on long-term debt	30,987,059		30,987,059	28,064,892		28,064,892
Water		73,551,706	73,551,706		107,583,098	107,583,098
Hydroelectricity		2,037,099	2,037,099		2,116,807	2,116,807
Total expenses	<u>113,172,137</u>	<u>75,588,805</u>	<u>188,760,942</u>	<u>154,705,165</u>	<u>109,699,905</u>	<u>264,405,070</u>
Excess of Revenues over Expenditures before Transfers	59,577,708	38,937,542	98,515,250	40,089,612	(11,606,169)	28,483,443
Transfers	<u>(21,803,894)</u>	<u>21,803,894</u>	<u>-</u>	<u>14,108,504</u>	<u>(14,108,504)</u>	<u>-</u>
Net Change in Net Position	37,773,814	60,741,436	98,515,250	54,198,116	(25,714,673)	28,483,443
Net Position at Beginning of Year	<u>754,842,794</u>	<u>90,303,443</u>	<u>845,146,237</u>	<u>700,644,678</u>	<u>116,018,116</u>	<u>816,662,794</u>
Net Position at End 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>

Governmental Activities

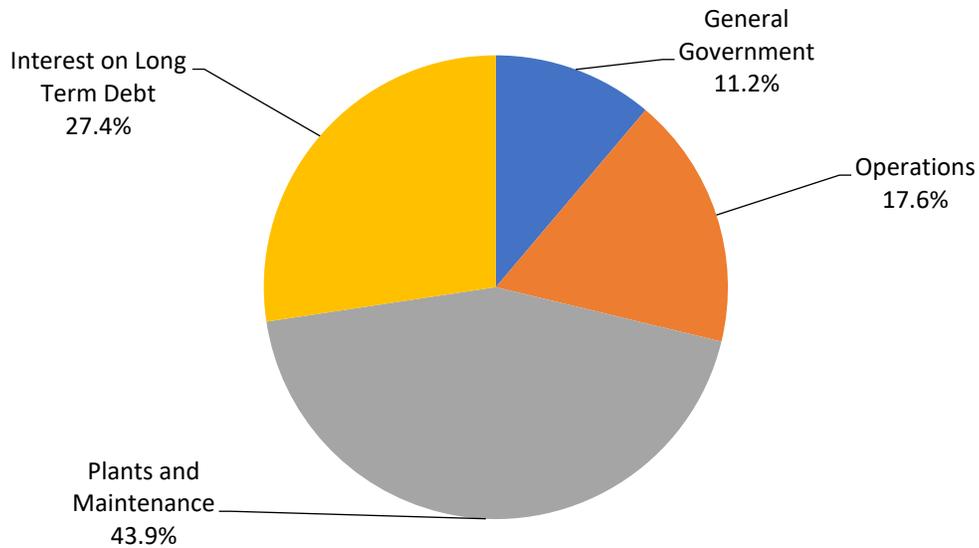
Net position of governmental activities increased by \$37,773,814 in 2020.

Major revenue factors include:



- Approximately 29.8% of the governmental activity revenues were derived from taxes levied on our member towns. These taxes increased 6.9% from the prior year.
- The primary component of charges for services consists of sewer user fees of \$83,717,134 which increased by \$6,234,262 due to rate increases and increased usage.
- The primary component of operating and capital grants and contributions consists of intergovernmental revenues of \$33,534,439 which increased by \$3,330,598 from the prior year. The intergovernmental revenue decrease is due to completion of a majority of construction contracts coming to scheduled completion dates and various funding agreements being converted from IFO to PLO.

Major expenditure factors include:

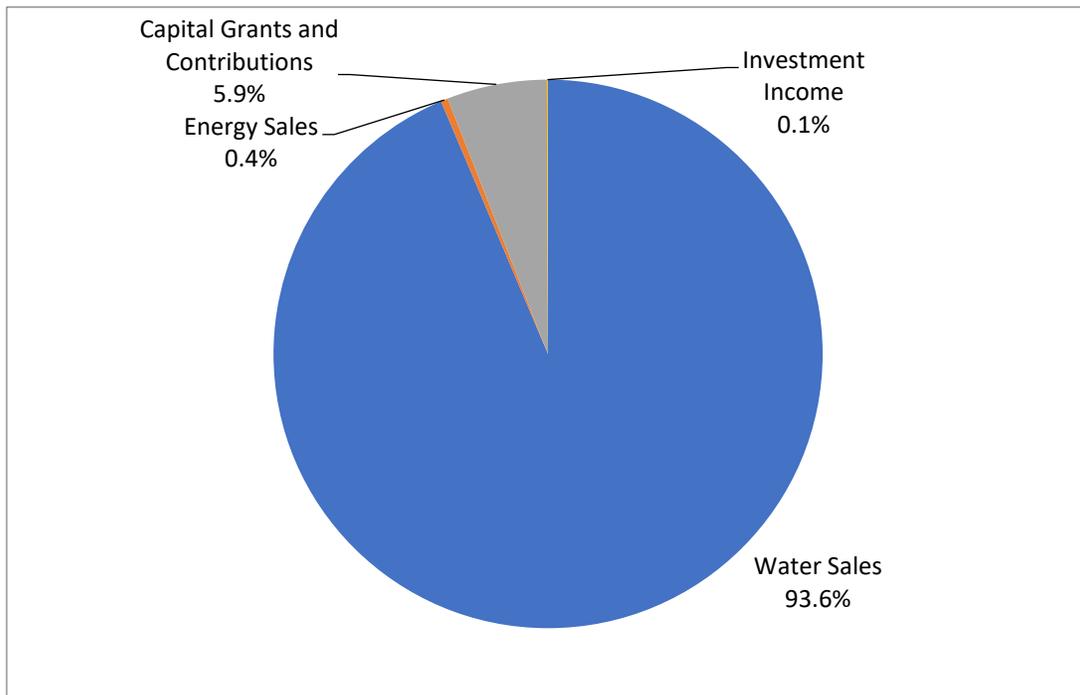


➤ During 2020, expenses decreased from the prior year by \$41,533,028 of which \$21,778,054 is due to decreased Plants and Maintenance expenses along with decreased Operation Expenses of \$12,806,832 and decreased General Government expenses of \$9,870,309. This is due to non-capitalizable expenses and changes in pension and OPEB expenses during the fiscal year.

Business-Type Activities

Net position of business-type activities increased by \$60,741,436 in 2020.

Major Revenue Factors Include:

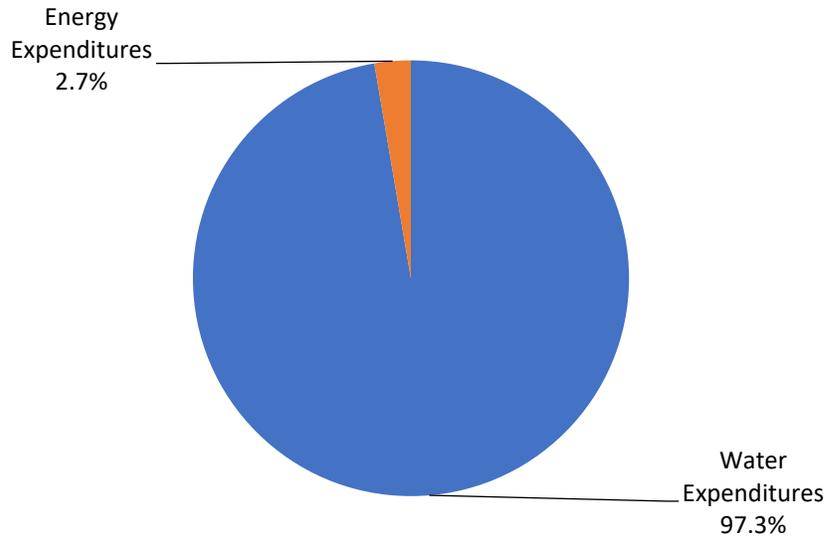


Water sales revenue increased by \$13,646,649 or 14.8% due to increases in water rates.

Capital grants and contributions increased by \$1,702,302 due to scheduled completion of construction projects and conversion of IFO's to PLO's.

Energy sales decreased by \$344,265 due to Colebrook not producing power in 2020.

Major expense factors include:



- Water expenses decreased \$34,031,392 or 31.6% primarily due to current year pension and OPEB activities. In addition, in the prior year, the District recognized \$7,900,000 of expenses related to a legal settlement.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current year, the District's governmental funds reported a combined ending fund balance of \$82,320,911 a decrease of \$49,014,734 in comparison with the prior year. Of the fund balances, \$75,165,949 is committed primarily for Clean Water Project future debt service or capital expenses, and \$3,715,448 is nonspendable and reserved for inventory and prepaid. The remaining general fund and capital projects show a combined unassigned balance of \$694,640.

The General Fund is the chief operating fund of the District. At the end of the current year, the General Fund total fund balance was \$35,585,675, of which \$694,640 is unassigned and spendable and \$3,715,448 is nonspendable and reserved for supplies and prepaid assets. This represents a fund balance increase in the General Fund of \$7,481,956 primarily due to an increase in sewer user fees and other revenues while the District had cost savings in plants and maintenance expenditures.

The Debt Service Fund's restricted balance of \$2,744,874 balance remains consistent as compared to the prior year due to fund activities consisting of transfer from other funds to fund debt service.

The Clean Water Project Fund had a decrease in fund balance \$18,196,188 which is due to delayed reimbursement of project spending.

The Capital Project Fund had a decrease in fund balance of \$38,300,502 which is a result of capital expenditures incurred during the fiscal year to be funded a future Bond Issuance.

Proprietary Funds

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

Overall proprietary funds net position totaled \$151,044,879 at the end of the year.

Unrestricted net position of the Water Utility Fund at the end of the year was a deficit of \$137,951,623. Net investment in capital assets amounted to \$276,685,102. The Hydroelectricity Fund has unrestricted net position of \$3,086,094, or 40.5% of total net position. Net investment in capital assets amounted to \$4,539,909, or 59.5% of total net position of the fund.

General Fund Budgetary Highlights

During the 2020 budget year, total revenues and other financing sources were below budget by \$3,023,868 or 3.2%, and expenditures were less than budget by \$11,071,802 or 11.7%.

Some of the major highlights are as follows:

- The District's budget included a contingent item of \$1,980,000 to cover the groundwater remediation receivable. If this receivable had been paid it would have resulted in a reduction in the ad valorem billing during 2020. However, this bill was outstanding during the calendar year.
- Expenditures were favorable to budget due to the contingency expense \$1,980,000 noted above and favorable Water Pollution Control expenses of \$2,050,157.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2020 amounted to \$1,970,906,638 and \$648,901,852 respectively reflecting the District's ongoing investment in capital activities. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and sewer and water pipes.

Major capital asset additions in 2020 consisted of infrastructure improvements, building additions, and additional machinery and equipment.

The Metropolitan District CAPITAL ASSETS (net of depreciation) December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 10,326,860	\$ 10,181,885	\$ 20,508,745	\$ 10,248,534	\$ 10,181,885	\$ 20,430,419
Buildings	304,080,806	97,312,229	401,393,035	322,292,326	102,952,747	425,245,073
Machinery and equipment	39,801,499	19,233,613	59,035,112	43,059,189	21,023,816	64,083,005
Infrastructure	678,162,111	314,513,265	992,675,376	687,428,485	321,798,970	1,009,227,455
Construction in progress	938,535,362	207,660,860	1,146,196,222	842,769,887	152,239,521	995,009,408
Total	\$ <u>1,970,906,638</u>	\$ <u>648,901,852</u>	\$ <u>2,619,808,490</u>	\$ <u>1,905,798,421</u>	\$ <u>608,196,939</u>	\$ <u>2,513,995,360</u>

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

Long-Term Debt

At the end of the current year, the District had total open market bonded debt outstanding of \$896,816,960 and \$526,253,046 of Clean Water and Drinking Water State Revolving fund loans outstanding. All of the Governmental Activities debt, \$1,198,647,030, with the exception of \$252,350,000 of outstanding revenue bonds is backed by the full faith and credit of the District's member towns. The revenue bond indenture has a pledge of the special sewer service surcharge revenues (a.k.a. Clean Water Project Charge), therefore these bonds do not carry the full faith and credit pledge of the District.

The Metropolitan District OUTSTANDING DEBT December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General obligation/ Revenue bonds	\$ 621,770,522	\$ 275,046,438	\$ 896,816,960	\$ 581,238,983	\$ 294,641,939	\$ 875,880,922
Clean/drinking water loans	476,391,446	49,861,600	526,253,046	527,219,298	51,989,586	579,208,884
Compensated absences	2,857,592	3,592,441	6,450,033	3,468,109	3,339,340	6,807,449
Claims and judgments		6,283,811	6,283,811		6,358,539	6,358,539
Settlement liability		5,814,247	5,814,247		7,900,000	7,900,000
Net pension liability	24,280,899	33,076,313	57,357,212	24,555,192	33,560,708	58,115,900
OPEB obligation	73,346,571	99,915,333	173,261,904	156,943,458	214,501,826	371,445,284
Total	\$ 1,198,647,030	\$ 473,590,183	\$ 1,672,237,213	\$ 1,293,425,040	\$ 612,291,938	\$ 1,905,716,978

In November 2020, in connection with its general obligation bond issue, the District affirmed both its rating and outlook with Moody's Investors Service and S&P Global Ratings. Those ratings are Aa3/AA respectively, each with a stable outlook.

The District's Charter limits the amount of general obligation debt it may issue up to 5% of the combined Grand List of its member towns. The current debt limitation for the District is \$1,317,246,191.

Additional information on the District's long-term debt can be found in Note 3F on pages 38-43 of this report.

Economic Factors

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

All of these factors were considered in preparing the District's 2020 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.

**THE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 128,670,129	\$ 96,185,192	\$ 224,855,321
Receivables, net of allowance for uncollectibles	26,881,039	18,969,723	45,850,762
Due to fiduciary funds	57,270	69,996	127,266
Supplies	3,028,814	3,161,935	6,190,749
Prepaid items	686,634	1,247,499	1,934,133
Capital assets, nondepreciable	948,862,222	217,842,745	1,166,704,967
Capital assets, net of accumulated depreciation	<u>1,022,044,416</u>	<u>431,059,107</u>	<u>1,453,103,523</u>
Total assets	<u>2,130,230,524</u>	<u>768,536,197</u>	<u>2,898,766,721</u>
Deferred Outflows of Resources:			
Deferred outflows - pension	10,804,719	14,718,577	25,523,296
Deferred outflows - OPEB	19,814,322	27,004,043	46,818,365
Deferred charge on refunding	<u>1,610,899</u>	<u>856,975</u>	<u>2,467,874</u>
Total deferred outflows of resources	<u>32,229,940</u>	<u>42,579,595</u>	<u>74,809,535</u>
Liabilities:			
Accounts payable and accrued items	36,460,255	14,658,260	51,118,515
Bond anticipation notes payable	43,935,430	49,249,570	93,185,000
Premium on bond anticipation notes payable	838,364	939,217	1,777,581
Customer advances for construction	893,974	711,427	1,605,401
Noncurrent liabilities:			
Due within one year	112,102,675	31,406,820	143,509,495
Due in more than one year	<u>1,086,544,355</u>	<u>442,183,363</u>	<u>1,528,727,718</u>
Total liabilities	<u>1,280,775,053</u>	<u>539,148,657</u>	<u>1,819,923,710</u>
Deferred Inflows of Resources:			
Deferred inflows - pension	8,678,928	11,822,747	20,501,675
Deferred inflows - OPEB	78,999,951	107,628,833	186,628,784
Deferred charge on refunding	<u>1,389,924</u>	<u>1,470,676</u>	<u>2,860,600</u>
Total deferred inflows of resources	<u>89,068,803</u>	<u>120,922,256</u>	<u>209,991,059</u>
Net Position:			
Net investment in capital assets	846,161,504	281,225,011	1,127,386,515
Restricted for:			
Debt service	2,744,874		2,744,874
Unrestricted	<u>(56,289,770)</u>	<u>(130,180,132)</u>	<u>(186,469,902)</u>
Total Net Position	<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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	\$ 12,632,933	\$	\$ 10,111,198	\$	\$ (2,521,735)	\$ (2,521,735)
Operations	19,918,024	83,717,134		63,799,110		63,799,110
Plants and maintenance	49,634,121	2,992,645		(23,218,235)		(23,218,235)
Interest on long-term debt	30,987,059			(30,987,059)		(30,987,059)
Total governmental activities	<u>113,172,137</u>	<u>86,709,779</u>	<u>10,111,198</u>	<u>23,423,241</u>	<u>7,072,081</u>	<u>-</u>
Business-type activities:						
Water	73,551,706	105,704,415		6,651,401	38,804,110	38,804,110
Hydroelectricity	2,037,099	471,876			(1,565,223)	(1,565,223)
Total business-type activities	<u>75,588,805</u>	<u>106,176,291</u>	<u>-</u>	<u>6,651,401</u>	<u>-</u>	<u>37,238,887</u>
Total	<u>\$ 188,760,942</u>	<u>\$ 192,886,070</u>	<u>\$ 10,111,198</u>	<u>\$ 30,074,642</u>	<u>7,072,081</u>	<u>37,238,887</u>
General revenues:						
Sewer taxation - member municipalities				51,475,700		51,475,700
Miscellaneous					1,620,957	1,620,957
Unrestricted investment earnings				1,029,927	77,698	1,107,625
Transfers				(21,803,894)	21,803,894	-
Total general revenues and transfers				<u>30,701,733</u>	<u>23,502,549</u>	<u>54,204,282</u>
Change in Net Position				37,773,814	60,741,436	98,515,250
Net Position at Beginning of Year				<u>754,842,794</u>	<u>90,303,443</u>	<u>845,146,237</u>
Net Position at End of Year				<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<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	\$ 28,834,678	\$ 2,744,874	\$ 74,572,413	\$ 22,518,164	\$ 128,670,129
Receivables, net of allowance for uncollectibles	6,127,738		18,232,482	2,520,819	26,881,039
Due from other funds	57,270				57,270
Supplies	3,028,814				3,028,814
Prepaid items	686,634				686,634
Total Assets	<u>\$ 38,735,134</u>	<u>\$ 2,744,874</u>	<u>\$ 92,804,895</u>	<u>\$ 25,038,983</u>	<u>\$ 159,323,886</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued items	\$ 2,255,485		\$ 17,638,946	\$ 8,826,895	\$ 28,721,326
Bond anticipation notes payable				43,935,430	43,935,430
Premium on bond anticipation notes payable				838,364	838,364
Customer advances for construction	893,974				893,974
Total liabilities	<u>3,149,459</u>	<u>-</u>	<u>17,638,946</u>	<u>53,600,689</u>	<u>74,389,094</u>
Deferred inflows of resources:					
Unavailable revenue - special assessments				2,613,881	2,613,881
Fund balances:					
Nonspendable	3,715,448				3,715,448
Restricted		2,744,874			2,744,874
Committed			75,165,949		75,165,949
Unassigned	31,870,227			(31,175,587)	694,640
Total fund balances	<u>35,585,675</u>	<u>2,744,874</u>	<u>75,165,949</u>	<u>(31,175,587)</u>	<u>82,320,911</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 38,735,134</u>	<u>\$ 2,744,874</u>	<u>\$ 92,804,895</u>	<u>\$ 25,038,983</u>	<u>\$ 159,323,886</u>

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2020

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

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

Fund balances - total governmental funds (page 16)	\$ 82,320,911
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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	\$ 2,393,229,136	
Less accumulated depreciation	<u>(422,322,498)</u>	
Net capital assets		1,970,906,638

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	2,613,881
Deferred outflows related to refunding	1,610,899
Deferred outflows related to pension	10,804,719
Deferred outflows related to OPEB	19,814,322

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	(553,390,982)
Premiums	(68,379,540)
Notes payable	(476,391,446)
Interest payable on long-term debt	(7,738,929)
Compensated absences	(2,857,592)
Net pension liability	(24,280,899)
Deferred inflows related to pension	(8,678,928)
Deferred inflows related to OPEB	(78,999,951)
Deferred inflows related to refunding	(1,389,924)
Net OPEB liability	<u>(73,346,571)</u>

Net Position of Governmental Activities (page 14)	<u>\$ 792,616,608</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, 2020**

	<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				1,071,240	1,071,240
Sewer user fees	20,404,896		63,312,238		83,717,134
Intergovernmental revenues	10,111,198		23,423,241		33,534,439
Investment income	145,404		884,523		1,029,927
Other local revenues	1,287,228			76,215	1,363,443
Total revenues	<u>83,424,426</u>	<u>-</u>	<u>87,620,002</u>	<u>1,147,455</u>	<u>172,191,883</u>
Expenditures:					
Current:					
General government	4,446,417				4,446,417
Operations	3,573,467				3,573,467
Plants and maintenance	19,643,333				19,643,333
Employee benefits and other	16,194,956				16,194,956
Debt service:					
Principal retirement		58,091,086			58,091,086
Interest	1,335,850	31,044,129			32,379,979
Issuance costs	295,459		644,016		939,475
Capital outlay			72,933,024	41,230,352	114,163,376
Total expenditures	<u>45,489,482</u>	<u>89,135,215</u>	<u>73,577,040</u>	<u>41,230,352</u>	<u>249,432,089</u>
Excess (Deficiency) of Revenues over Expenditures	<u>37,934,944</u>	<u>(89,135,215)</u>	<u>14,042,962</u>	<u>(40,082,897)</u>	<u>(77,240,206)</u>
Other Financing Sources (Uses):					
Issuance of bonds			55,010,000		55,010,000
Premiums on issuance of bonds			15,448,049		15,448,049
Issuance of refunding bonds		76,065,000			76,065,000
Payment for clean water loan escrow agent			(49,825,431)		(49,825,431)
Payment to refunded bond escrow agent		(76,935,985)			(76,935,985)
Clean Water Fund loans issued			30,267,733		30,267,733
Transfers in		90,006,200		1,782,395	91,788,595
Transfers out	(30,452,988)		(83,139,501)		(113,592,489)
Total other financing sources (uses)	<u>(30,452,988)</u>	<u>89,135,215</u>	<u>(32,239,150)</u>	<u>1,782,395</u>	<u>28,225,472</u>
Net Change in Fund Balances	7,481,956	-	(18,196,188)	(38,300,502)	(49,014,734)
Fund Balances at Beginning of Year	<u>28,103,719</u>	<u>2,744,874</u>	<u>93,362,137</u>	<u>7,124,915</u>	<u>131,335,645</u>
Fund Balances at End of Year	<u>\$ 35,585,675</u>	<u>\$ 2,744,874</u>	<u>\$ 75,165,949</u>	<u>\$ (31,175,587)</u>	<u>\$ 82,320,911</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, 2020**

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

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

Net change in fund balances - total governmental funds (page 18)	\$ (49,014,734)
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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	98,882,354
Depreciation expense	(33,763,164)

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.

(10,973)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Sewer assessment revenue	634,177
Change in deferred outflows related to pension	4,901,196
Change in deferred outflows related to OPEB	(7,733,772)

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	(30,267,733)
Proceeds from issuance of bonds	(55,010,000)
Premiums on issuance of bonds	(15,448,049)
Proceeds from issuance of refunding bonds	(76,065,000)
Bond payments	97,395,930
Amortization of bond premium	8,595,580
Amortization of deferred charge on refunding	444,989
Clean Water Fund loan payments	81,095,585
Change in accrued interest	(423,401)

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	610,517
Change in net pension liability	274,293
Change in deferred inflows related to pension	(5,458,336)
Change in deferred inflows related to OPEB	(65,462,532)
Change in net OPEB liability	83,596,887

Change in Net Position of Governmental Activities (page 15)	<u>\$ 37,773,814</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, 2020**

	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	\$ 81,347,383	\$ 2,824,485	\$ 84,171,868	\$ 12,013,324
Accounts receivable, net of allowance for uncollectibles	18,817,858	68,524	18,886,382	83,341
Due from other funds	69,996		69,996	
Supplies	2,925,045	236,890	3,161,935	
Prepaid items	1,247,499		1,247,499	
Total current assets	<u>104,407,781</u>	<u>3,129,899</u>	<u>107,537,680</u>	<u>12,096,665</u>
Noncurrent assets:				
Capital assets, nondepreciable	217,842,745		217,842,745	
Capital assets, net of accumulated depreciation	426,519,198	4,539,909	431,059,107	
Total noncurrent assets	<u>644,361,943</u>	<u>4,539,909</u>	<u>648,901,852</u>	<u>-</u>
Total assets	<u>748,769,724</u>	<u>7,669,808</u>	<u>756,439,532</u>	<u>12,096,665</u>
Deferred Outflows of Resources:				
Deferred outflows - pension	14,718,577		14,718,577	
Deferred outflows - OPEB	27,004,043		27,004,043	
Deferred charge on refunding	856,975		856,975	
Total deferred outflows of resources	<u>42,579,595</u>	<u>-</u>	<u>42,579,595</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	13,486,998	43,805	13,530,803	1,127,457
Bond anticipation notes payable	49,249,570		49,249,570	
Premium on bond anticipation notes payable	939,217		939,217	
Customer advances for construction	711,427		711,427	
Current portion of claims incurred but not reported			-	835,058
Current portion of compensated absences	2,720,402		2,720,402	
Current portion of claims and judgements	5,814,247		5,814,247	
Current portion of bonds and loans payable	22,037,113		22,037,113	
Total current liabilities	<u>94,958,974</u>	<u>43,805</u>	<u>95,002,779</u>	<u>1,962,515</u>
Noncurrent liabilities:				
Compensated absences	872,039		872,039	
Bonds and loans payable after one year	302,870,925		302,870,925	
Claims incurred but not reported			-	5,448,753
Net pension liability	33,076,313		33,076,313	
OPEB liability	99,915,333		99,915,333	
Total noncurrent liabilities	<u>436,734,610</u>	<u>-</u>	<u>436,734,610</u>	<u>5,448,753</u>
Total liabilities	<u>531,693,584</u>	<u>43,805</u>	<u>531,737,389</u>	<u>7,411,268</u>
Deferred Inflows of Resources:				
Deferred inflows - pension	11,822,747		11,822,747	
Deferred inflows - OPEB	107,628,833		107,628,833	
Deferred charge on refunding	1,470,676		1,470,676	
Total deferred inflows of resources	<u>120,922,256</u>	<u>-</u>	<u>120,922,256</u>	<u>-</u>
Net Position:				
Net investment in capital assets	276,685,102	4,539,909	281,225,011	
Unrestricted	<u>(137,951,623)</u>	<u>3,086,094</u>	<u>(134,865,529)</u>	<u>4,685,397</u>
Total Net Position	<u>\$ 138,733,479</u>	<u>\$ 7,626,003</u>	<u>146,359,482</u>	<u>\$ 4,685,397</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			<u>4,685,397</u>	
Net Position of Business-Type Activities			<u>\$ 151,044,879</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, 2020**

	Business-Type Activities - Enterprise Funds			Business- Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project		
Operating Revenues:				
Water sales	\$ 98,277,039	\$	\$ 98,277,039	\$
Energy sales		471,876	471,876	
Operating contributions			-	22,759,919
Other operating	7,427,376		7,427,376	
Total operating revenues	<u>105,704,415</u>	<u>471,876</u>	<u>106,176,291</u>	<u>22,759,919</u>
Operating Expenses:				
General government	10,121,682		10,121,682	
Operations	12,180,241		12,180,241	18,074,522
Plants and maintenance	16,408,209		16,408,209	
Employee benefits and other	12,595,839		12,595,839	
Source of supply		271,792	271,792	
Depreciation expense	15,910,518	160,921	16,071,439	
Total operating expenses	<u>67,216,489</u>	<u>432,713</u>	<u>67,649,202</u>	<u>18,074,522</u>
Operating Income (Loss)	<u>38,487,926</u>	<u>39,163</u>	<u>38,527,089</u>	<u>4,685,397</u>
Nonoperating Revenues (Expenses):				
Investment income	77,698		77,698	
Miscellaneous revenue	895,442	725,515	1,620,957	
Gain (loss) on disposal of assets	92,237	(1,604,386)	(1,512,149)	
Interest and fiscal charges	(11,112,851)		(11,112,851)	
Net nonoperating revenues (expenses)	<u>(10,047,474)</u>	<u>(878,871)</u>	<u>(10,926,345)</u>	<u>-</u>
Income (Loss) Before Capital Grants, Capital Contributions and Transfers	28,440,452	(839,708)	27,600,744	4,685,397
Capital grants	571,847		571,847	
Capital contributions	6,079,554		6,079,554	
Transfer in	23,586,289		23,586,289	6,537,627
Transfers out	(8,320,022)		(8,320,022)	
Change in Net Position	50,358,120	(839,708)	49,518,412	11,223,024
Net Position at Beginning of Year	<u>88,375,359</u>	<u>8,465,711</u>		<u>(6,537,627)</u>
Net Position at End of Year	<u>\$ 138,733,479</u>	<u>\$ 7,626,003</u>		<u>\$ 4,685,397</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			11,223,024	
Change in Net Position of Business-Type Activities			<u>\$ 60,741,436</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, 2020**

	Business-Type Activities - Enterprise Funds			Business-Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project	Total	
Cash Flows from Operating Activities:				
Receipts from customers, users and others	\$ 100,652,720	\$ 428,280	\$ 101,081,000	\$ 22,719,843
Payments to suppliers	(34,360,849)	(245,333)	(34,606,182)	(17,353,850)
Payments to employees	(26,143,232)	-	(26,143,232)	
Net cash provided by (used in) operating activities	<u>40,148,639</u>	<u>182,947</u>	<u>40,331,586</u>	<u>5,365,993</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets/utility plant	(52,301,185)		(52,301,185)	
Proceeds from drinking water loans	1,452,294		1,452,294	
Proceeds from capital grant	571,847		571,847	
Principal payments on bonds	(17,544,070)		(17,544,070)	
Proceeds from bond anticipation notes	50,188,787		50,188,787	
Principal payments on drinking water loans	(3,580,280)		(3,580,280)	
Interest payments on bonds and notes	(11,076,783)		(11,076,783)	
Proceeds from Water Utility fund			-	6,537,627
Proceeds from General fund	23,586,289		23,586,289	
Proceeds on sale of assets	92,237		92,237	
Payment to Capital Project fund	(8,320,022)		(8,320,022)	
Net cash provided by (used in) capital and related financing activities	<u>(16,930,886)</u>	<u>-</u>	<u>(16,930,886)</u>	<u>6,537,627</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>77,698</u>		<u>77,698</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	23,295,451	182,947	23,478,398	11,903,620
Cash and Cash Equivalents at Beginning of Year	<u>58,051,932</u>	<u>2,641,538</u>	<u>60,693,470</u>	<u>109,704</u>
Cash and Cash Equivalents at End of Year	<u>\$ 81,347,383</u>	<u>\$ 2,824,485</u>	<u>\$ 84,171,868</u>	<u>\$ 12,013,324</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Operating income	\$ 38,487,926	\$ 39,163	\$ 38,527,089	\$ 4,685,397
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	15,910,518	160,921	16,071,439	
Amortization of bond premiums	(2,051,431)		(2,051,431)	
Miscellaneous nonoperating revenue (expense)	895,442		895,442	
Change in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in accounts receivable	(4,418,605)	(43,596)	(4,462,201)	(40,076)
(Increase) decrease in due from other funds	(69,996)		(69,996)	
(Increase) decrease in supplies	(41,113)		(41,113)	
(Increase) decrease in prepaid items	(40,674)	9,948	(30,726)	
(Increase) decrease in deferred outflows of resources related to pensions	(6,675,949)		(6,675,949)	
(Increase) decrease in deferred outflows of resources related to OPEB	10,525,925		10,525,925	
Increase (decrease) in accounts payable and accrued expenses	5,587,059	16,511	5,603,570	795,400
Increase (decrease) in customer advances for construction	(563,094)		(563,094)	
Increase (decrease) in compensated absences	253,101		253,101	
Increase (decrease) in net OPEB liability	(113,895,586)		(113,895,586)	
Increase (decrease) in net pension liability	(376,296)		(376,296)	
Increase (decrease) in claims payable			-	(74,728)
Increase (decrease) in deferred inflows of resources related to pensions	7,435,195		7,435,195	
Increase (decrease) in deferred inflows of resources related to OPEB	89,186,217		89,186,217	
Total adjustments	<u>1,660,713</u>	<u>143,784</u>	<u>1,804,497</u>	<u>680,596</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 40,148,639</u>	<u>\$ 182,947</u>	<u>\$ 40,331,586</u>	<u>\$ 5,365,993</u>
Noncash Investing, Capital and Financing Activities:				
Capital assets contributed by Capital Projects Fund	<u>\$ 6,079,554</u>	<u>\$ -</u>	<u>\$ 6,079,554</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020**

	Pension and Other Employee Benefit Trust Funds
ASSETS	
Cash and cash equivalents	\$ 9,694,246
Accounts receivable	185,874
Investments, at fair value:	
Mutual funds	25,700,261
Guaranteed investment contracts	25,623,113
Land	3,705,913
Commingled collective trusts	179,076,798
Real estate	18,608,174
Total assets	<u>262,594,379</u>
LIABILITIES	
Due to other funds	127,266
Retiree expense reimbursement payable	<u>2,667</u>
Total liabilities	<u>129,933</u>
NET POSITION	
Restricted for pension benefits	253,346,293
Restricted for OPEB benefits	<u>9,118,153</u>
Total Net Position	<u>\$ 262,464,446</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, 2020**

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 18,999,763
Plan members	3,862,570
Total contributions	<u>22,862,333</u>
Investment income (loss):	
Net change in fair value of investments	32,713,513
Interest and dividends	2,616,959
	<u>35,330,472</u>
Less investment expenses:	
Investment management fees	949,003
Net investment income (loss)	<u>34,381,469</u>
Total additions	<u>57,243,802</u>
Deductions:	
Benefits	25,020,126
Administrative expense	79,174
Total deductions	<u>25,099,300</u>
Change in Net Position	32,144,502
Net Position at Beginning of Year	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 262,464,446</u>

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

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

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. 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. Inventories and Prepaid Items

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

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

F. Receivables and Payables

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

All receivables are presented net of an allowance for uncollectibles.

G. Compensated Absences

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

H. Capital Assets

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

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

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

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

I. Deferred Outflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources expenditure until then. The District reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position and statement of net position - proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs, contributions made to the plan after the measurement date, and differences between projected and actual earnings on pension and OPEB plan investments. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees). No deferred outflows of resources affect the governmental fund financial statements in the current year.

J. Deferred Inflows of Resources

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

K. Long-Term Obligations

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

L. Net Pension Liability

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

M. Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

N. Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Net Investment in Capital Assets

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

Restricted Net Position

This category represents amounts restricted to use by outside parties.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Unrestricted Net Position

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

O. Accounting Estimates

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

P. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 25, 2021.

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, 2020, 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.

THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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.

B. Deficit Fund Equity

The capital project fund had a fund balance deficit of \$31,175,587, which was a result of increased capital projects spending in the current year. This deficit will be funded by future bond issuances.

3. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

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

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$32,158,792 of the District’s bank balance of \$32,408,792 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 28,917,913
Uninsured and collateral held by the pledging bank’s trust department, not in the District’s name	<u>3,240,879</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 32,158,792</u>

Cash Equivalents

At December 31, 2020, the District’s cash equivalents amounted to \$202,681,692. 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	

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The District has the following recurring fair value measurements as of December 31, 2020:

	December 31, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Mutual funds	\$ 25,700,261	\$ 25,700,261	\$	\$
Guaranteed investment contracts	25,623,113		8,198,855	17,424,258
Real Estate	3,705,913			3,705,913
Total investments by fair value level	55,029,287	\$ 25,700,261	\$ 8,198,855	\$ 21,130,171
Investments measured at net asset value (NAV):				
Commingled Collective Trusts	179,076,798			
Timberland Investments	9,153,357			
Cornerstone Real Estate	2,886,484			
Intercontinental U.S. REIF	6,568,333			
Total investments measured at NAV	197,684,972			
Total Investments Measured at Fair Value	\$ 252,714,259			

The above investments have no rating or maturity.

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

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Collective Trusts	\$ 179,076,798	\$	Up to Monthly	Up to 10 Days
Timberland Investments	9,153,357	549,776	Hold to Maturity	Hold to Maturity (15-18 Years Total)
Cornerstone Real Estate	2,886,484	1,336,013	Hold to Maturity	Hold to Maturity (7-9 Years Total)
Intercontinental U.S. REIF	6,568,333		Quarterly	30-60 days
Total Investments Measured at NAV	\$ 197,684,972			

THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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 8.1 years and average duration of 6.3 years, as of March 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 15-18 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.

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, 2020, the District did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the District's name.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

B. Receivables

Receivables as of year end for the District's individual major funds, nonmajor business-type activities, internal service fund and trust funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>General</u>	<u>Clean Water Project</u>	<u>Capital Projects Funds</u>	<u>Water Utility</u>	<u>Hydroelectric Development Project</u>	<u>Internal Service Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Sewer use charges	\$ 13,986,859	\$ 13,156,357	\$ 12,456	\$ 529,316	\$	\$	\$	\$ 27,684,988
Customers and employees	4,581,402			20,069,274				24,650,676
Assessments			2,178,943	788,388				2,967,331
Accrued interest			490,820	201,680				692,500
Intergovernmental		6,978,177						6,978,177
Other	148,877	104,848	134,139		68,524	83,341	185,874	725,603
Gross receivables	<u>18,717,138</u>	<u>20,239,382</u>	<u>2,816,358</u>	<u>21,588,658</u>	<u>68,524</u>	<u>83,341</u>	<u>185,874</u>	<u>63,699,275</u>
Less allowance for uncollectibles	<u>12,589,400</u>	<u>2,006,900</u>	<u>295,539</u>	<u>2,770,800</u>				<u>17,662,639</u>
Net Total Receivables	<u>\$ 6,127,738</u>	<u>\$ 18,232,482</u>	<u>\$ 2,520,819</u>	<u>\$ 18,817,858</u>	<u>\$ 68,524</u>	<u>\$ 83,341</u>	<u>\$ 185,874</u>	<u>\$ 46,036,636</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	\$ 57,270
Water Utility	OPEB Trust Fund	69,996

Interfund transfers are generally used to supplement revenues of other funds. Interfund transfers for the year ended December 31, 2020 were as follows:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Water Utility Fund</u>	<u>Aggregate Remaining Fund</u>	
Transfers out:					
General Fund	\$ 30,452,988	\$	\$	\$	\$ 30,452,988
Clean Water Fund	59,553,212		23,586,289		83,139,501
Water Utility Fund		1,782,395		6,537,627	8,320,022
Total Transfers In	<u>\$ 90,006,200</u>	<u>\$ 1,782,395</u>	<u>\$ 23,586,289</u>	<u>\$ 6,537,627</u>	<u>\$ 121,912,511</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

D. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,248,534	\$ 78,326	\$	\$ 10,326,860
Construction in progress	842,769,887	97,162,658	1,397,183	938,535,362
Total capital assets not being depreciated	<u>853,018,421</u>	<u>97,240,984</u>	<u>1,397,183</u>	<u>948,862,222</u>
Capital assets being depreciated:				
Buildings	501,203,154	3,597		501,206,751
Machinery and equipment	68,310,970	1,397,183	4,949,017	64,759,136
Infrastructure	876,776,770	1,637,773	13,516	878,401,027
Total capital assets being depreciated	<u>1,446,290,894</u>	<u>3,038,553</u>	<u>4,962,533</u>	<u>1,444,366,914</u>
Less accumulated depreciation for:				
Buildings	178,910,828	18,215,117		197,125,945
Machinery and equipment	25,251,781	4,643,900	4,938,044	24,957,637
Infrastructure	189,348,285	10,904,147	13,516	200,238,916
Total accumulated depreciation	<u>393,510,894</u>	<u>33,763,164</u>	<u>4,951,560</u>	<u>422,322,498</u>
Total capital assets being depreciated, net	<u>1,052,780,000</u>	<u>(30,724,611)</u>	<u>10,973</u>	<u>1,022,044,416</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,905,798,421</u>	<u>\$ 66,516,373</u>	<u>\$ 1,408,156</u>	<u>\$ 1,970,906,638</u>
	<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	\$	\$	\$ 10,181,885
Construction in progress	152,239,521	56,392,714	971,375	207,660,860
Total capital assets not being depreciated	<u>162,421,406</u>	<u>56,392,714</u>	<u>971,375</u>	<u>217,842,745</u>
Capital assets being depreciated:				
Buildings	165,243,637		2,467,361	162,776,276
Machinery and equipment	39,826,459	971,375	5,061,704	35,736,130
Infrastructure	455,542,913	2,385,638	788,711	457,139,840
Total capital assets being depreciated	<u>660,613,009</u>	<u>3,357,013</u>	<u>8,317,776</u>	<u>655,652,246</u>
Less accumulated depreciation for:				
Buildings	62,290,890	4,036,132	862,975	65,464,047
Machinery and equipment	18,802,643	2,750,060	5,050,186	16,502,517
Infrastructure	133,743,943	9,285,247	402,615	142,626,575
Total accumulated depreciation	<u>214,837,476</u>	<u>16,071,439</u>	<u>6,315,776</u>	<u>224,593,139</u>
Total capital assets being depreciated, net	<u>445,775,533</u>	<u>(12,714,426)</u>	<u>2,002,000</u>	<u>431,059,107</u>
Business-Type Activities Capital Assets, Net	<u>\$ 608,196,939</u>	<u>\$ 43,678,288</u>	<u>\$ 2,973,375</u>	<u>\$ 648,901,852</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

Governmental activities:	
General government	\$ 1,753,666
Operations	11,522,937
Plant and maintenance	<u>20,486,561</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>33,763,164</u></u>
 Business-type activities:	
Water	\$ 15,910,518
Hydroelectricity	<u>160,921</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u><u>16,071,439</u></u>

Construction Commitments

The District has active construction projects as of December 31, 2020. At year end, the District's commitments with contractors for governmental activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2011 WPC Electronic Dvlpmt	\$ 85,158
2014 General Purpose Sewer	256,723
2014 Various Sewer Pipe RR	491,185
2015 General Purpose Sewer	234,700
2015 HWPCF DAFT 1&2 (SPB)	2,258,388
2016 Sewer Rehab Program	555,005
2016 WPC Electrical Upgrade	466,405
2017 WPC Equip & Facil Imp	276,449
2018 General Purpose Sewer	3,007,429
2018 Sewer Rehab Program	1,315,514
2018 WPC Infrastruct Rehab	1,024,607
2018-Various Sewer Pipe Replmt/Rehab	1,209,256
2019 Oakwood Ave Phase 1	3,323,452
2019 WPC Infrastruct	853,538
2020-Various Sewer Pipe Replcmt/Rehab	1,720,685
EHWPCF Cmprsr,DO,SCADA	958,612
HWPCF DAFT	5,571,499
Sanita Sewer Rehab Program	1,652,872
Various Sewer Pipe Replacement/Rehabilit	262,972
WPCF Infrast, Rehab, Upgr & Replacements	110,464
Multiple projects < \$75K	441,031
2012 RH Interceptor	72,344
2015 SHCST Construct	91,076,636
2015 WWEP #2012-21	<u>144,379</u>
 Total	 \$ <u><u>117,369,303</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>
2012 Gen Purp Water	\$ 197,702
2014 WTF Upgrades	258,970
2015 Water Supply Improvem	204,470
2018 Buckingham St WM Repl	2,195,026
2018 Madison Ave WM Replac	616,919
2018 WM Replacement Prog	92,169
2019 Bloomfield TM Ext 2	362,068
2019 Oakwood Ave WMR 1&2	793,947
2019 Water Main Replac Prg	2,179,115
Church St and Nott St WMR 2019B-02	1,829,595
District Wide WM Replacement Prgm	2,570,095
Farmington Ave/WH Center WM Replace	3,884,524
Long Hill Rd WM	195,676
Saybrooke and Bonner St 2018B-17	3,386,289
Wat Facil Improvements	82,953
Webster Hill Area WM Replace WH	6,337,832
WTF Infra Rehab & Upgrades	427,932
Multiple Projects < \$75K	<u>221,843</u>
Total	<u>\$ 25,837,125</u>

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

E. Short-Term Debt

On December 1, 2020, the District issued bond anticipation notes totaling \$93,185,000. The notes mature on September 1, 2021 and have an interest rate of 3%. The proceeds of the Notes will be used to provide funding for various sewer, water and public improvement projects of the District.

F. Operating Leases

Total operating lease payments for office equipment totaled \$127,005 for the year ended December 31, 2020. Future operating lease commitments are as follows:

	<u>Amount</u>
2021	\$ 201,810
2022	158,983
2023	99,299
2024	45,655
2025	10,069
2026	<u>1,678</u>
Total	<u>\$ 517,494</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

G. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020 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	\$ 321,971,912	\$	\$ 20,930,930	\$ 301,040,982	\$ 20,176,780
Revenue bonds	197,740,000	131,075,000	76,465,000	252,350,000	8,520,000
Premiums	61,527,071	15,448,049	8,595,580	68,379,540	
Total bonds payable	581,238,983	146,523,049	105,991,510	621,770,522	28,696,780
Clean water fund loans	527,219,298	30,267,733	81,095,585	476,391,446	80,667,346
Compensated absences	3,468,109	1,851,691	2,462,208	2,857,592	2,738,549
Net pension liability	24,555,192		274,293	24,280,899	
Net OPEB Liability	156,943,458		83,596,887	73,346,571	
Total Governmental Activities Long-Term Liabilities	\$ 1,293,425,040	\$ 178,642,473	\$ 273,420,483	\$ 1,198,647,030	\$ 112,102,675
Business-Type Activities:					
General obligation bonds	\$ 263,903,089	\$	\$ 17,544,070	\$ 246,359,019	\$ 17,293,220
Premiums	30,738,850		2,051,431	28,687,419	
Total bonds payable	294,641,939	-	19,595,501	275,046,438	17,293,220
Drinking water fund loans	51,989,586	1,452,294	3,580,280	49,861,600	4,743,893
Compensated absences	3,339,340	3,236,956	2,983,855	3,592,441	2,720,402
Claims and judgments	6,358,539	18,074,522	18,149,250	6,283,811	835,058
Settlement liability	7,900,000		2,085,753	5,814,247	5,814,247
Net pension liability	33,560,708		484,395	33,076,313	
Net OPEB Liability	214,501,826		114,586,493	99,915,333	
Total Business-Type Activities Long-Term Liabilities	\$ 612,291,938	\$ 22,763,772	\$ 161,465,527	\$ 473,590,183	\$ 31,406,820

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	\$ 301,040,982
Business-type activities	Various	246,359,019
		<u>\$ 547,400,001</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 20,176,780	\$ 12,954,174	\$ 17,293,220	\$ 10,425,900
2022	20,252,793	11,966,434	17,337,208	9,573,143
2023	19,273,166	11,020,423	17,086,834	8,734,626
2024	19,091,978	10,132,153	17,068,022	7,923,177
2025	19,697,201	9,314,484	17,342,799	7,171,240
2026-2030	96,180,121	33,852,915	81,664,879	25,065,583
2031-2035	77,846,172	14,638,481	62,943,828	10,078,658
2035-2040	28,522,771	2,820,283	15,622,229	1,339,592
Total	\$ <u>301,040,982</u>	\$ <u>106,699,347</u>	\$ <u>246,359,019</u>	\$ <u>80,311,919</u>

Authorized but Unissued Bonds

The total of authorized but unissued bonds at December 31, 2020 is \$762,104,407. 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, 2020, the District reported unspent bond proceeds of \$18,863,627 and \$8,745,112 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>252,350,000</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

		Governmental Activities	
		Principal	Interest
2021	\$	8,520,000	\$ 10,396,652
2022		8,685,000	10,099,889
2023		6,305,000	9,764,166
2024		6,495,000	9,448,916
2025		6,700,000	9,124,166
2026-2030		51,130,000	39,649,253
2031-2035		70,050,000	27,334,111
2036-2040		72,375,000	13,359,209
2041-2045		22,090,000	2,043,250
Total	\$	<u>252,350,000</u>	\$ <u>131,219,612</u>

Clean and Drinking Water Fund Loans

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

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

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

Permanent loan obligations mature as follows:

		Governmental Activities	
		Principal	Interest
2021	\$	28,809,548	\$ 8,116,288
2022		28,197,406	7,545,269
2023		28,039,267	6,983,210
2024		27,922,467	6,423,009
2025		27,839,038	5,865,811
2026-2030		134,433,295	21,089,738
2031-2035		106,991,839	8,816,097
2036-2040		36,785,927	945,641
	\$	<u>419,018,787</u>	\$ <u>65,785,063</u>

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 3,409,584	\$ 939,595
2022	3,388,034	871,652
2023	3,339,207	804,037
2024	3,270,847	738,233
2025	3,270,847	672,908
2026-2030	16,294,708	2,384,819
2031-2035	13,542,926	824,388
2036-2040	<u>2,011,138</u>	<u>52,887</u>
	<u>\$ 48,527,291</u>	<u>\$ 7,288,519</u>

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 51,857,798	\$ 825,698
2022		
2023		
2024	<u>5,514,861</u>	<u>16,907</u>
	<u>\$ 57,372,659</u>	<u>\$ 842,605</u>
	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	<u>\$ 1,334,309</u>	<u>\$ 993</u>
	<u>\$ 1,334,309</u>	<u>\$ 993</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.

Revenue Bonds - New Issuances and Current Refunding

On August 25, 2020, the District issued \$131,075,000 of bonds; consisting of \$55,010,000 in Clean Water Project Revenue Bonds, 2020 Series A with a True Interest Cost (TIC) of 1.67% and \$76,065,000 in Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) with a True Interest Cost (TIC) of 2.34%.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

The bonds refunded \$70,575,000 of outstanding principal of the Clean Water Project Revenue Bonds, 2013 Series A. The average coupon of the refunded bonds was 4.622%. The net proceeds of \$77,161,715 (after payment of Underwriter's Discount of \$332,452) was deposited with the Trustee; \$76,935,985 was deposited in an escrow account, which was used to make the April 1, 2021 principal and interest payment due and will be used on April 1, 2022 to make the April 1, 2022 principal and interest payment due and to fully redeem the remaining maturities of the Clean Water Project Revenue Bonds, 2013 Series A and \$225,730 was used for cost of issuance. The transaction generated a cash flow savings of \$15,920,529 and a net present value savings of \$14,859,807.

Subsequent to the bond issuance, the District used the \$55,010,000 to refund three Project Loan Obligations (CWF-652D, CWF 639-C, and CWF 633-C) issued through the State of Connecticut's Clean Water Fund, with an outstanding principal amount of \$49,825,431. Those Project Loan Obligations had an interest rate of 2%. \$49,825,431 was deposited in an escrow account which was used on August 26, 2020 to fully redeem the three Project Loan Obligations (CWF-652D, CWF 639-C, and CWF 633-C); \$321,054 was deposited to pay cost of issuance. The transaction generated a cash flow savings of \$2,878,192 and a net present value savings of \$2,814,248.

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>
\$ 1,317,246,191	\$ 897,446,518	\$ 419,799,673

H. Fund Balance

The components of fund balance for the governmental funds at December 31, 2020 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	\$ 686,634				\$ 686,634
Supplies	3,028,814				3,028,814
Restricted for:					
Debt service		2,744,874			2,744,874
Committed to:					
Debt service			75,165,949		75,165,949
Unassigned	<u>31,870,227</u>			<u>(31,175,587)</u>	<u>694,640</u>
Total Fund Balances	<u>\$ 35,585,675</u>	<u>\$ 2,744,874</u>	<u>\$ 75,165,949</u>	<u>\$ (31,175,587)</u>	<u>\$ 82,320,911</u>

There were no outstanding encumbrances at December 31, 2020.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

At January 1, 2020, membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	620
Terminated members entitled to but not yet receiving benefits	38
Current active members	<u>468</u>
Total Members	<u><u>1,126</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.

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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.

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, 2020:

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

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.43%. 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, 2020 were as follows:

Total pension liability	\$ 310,703,505
Plan fiduciary net position	<u>253,346,293</u>
Net Pension Liability	<u>\$ 57,357,212</u>
Plan fiduciary net position as a percentage of the total pension liability	81.54%

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

Actuarial Assumptions

The total pension 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:

Inflation	2.75%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.875%, 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, 2020 (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	1.85%
Global Funds	0.75%
Large Cap U.S. Equities	4.35%
Mid Cap U.S. Equities	5.68%
Small Cap U.S. Equities	4.73%
Developed Foreign Equities	5.97%
Real Estate (REITS)	4.98%
Private Real Estate Property	3.85%
Commodities	4.01%

Discount Rate

The discount rate used to measure the total pension liability was 6.875%. 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, 2020 decreased 0.125% to 6.875% from 7.00% at December 31, 2019.

**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, 2020	\$ 284,902,241	\$ 226,786,341	\$ 58,115,900
Changes for the year:			
Service cost	4,679,208		4,679,208
Interest on total pension liability	19,624,655		19,624,655
Changes of benefit terms	21,260		21,260
Differences between expected and actual experience	1,826,376		1,826,376
Changes in assumptions	18,425,798		18,425,798
Employer contributions		8,650,763	(8,650,763)
Member contributions		2,385,458	(2,385,458)
Net investment gain (loss)		34,378,938	(34,378,938)
Benefit payments, including refund of employee contributions	(18,776,033)	(18,776,033)	-
Administrative expenses		(79,174)	79,174
Net changes	<u>25,801,264</u>	<u>26,559,952</u>	<u>(758,688)</u>
Balances as of December 31, 2020	<u>\$ 310,703,505</u>	<u>\$ 253,346,293</u>	<u>\$ 57,357,212</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 6.875%, 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 (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
District's Net Pension Liability \$	92,413,471	\$ 57,357,212	\$ 27,207,651

**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, 2020, the District recognized pension expense of \$9,220,274, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$5,317,076 and \$3,903,198, respectively. At December 31, 2020, 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	\$ 156,950	\$ 6,602,744
Changes of assumptions		18,920,552
Net difference between projected and actual earnings on pension plan investments	<u>20,344,725</u>	<u> </u>
Total	<u>\$ 20,501,675</u>	<u>\$ 25,523,296</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>	
2021	\$ 1,851,495
2022	4,524,531
2023	(1,650,253)
2024	<u>295,848</u>
	<u>\$ 5,021,621</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, 2020, 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	\$ 588,432	\$ 9,105,814	\$ 9,694,246
Accounts receivable	43,602	142,272	185,874
Investments, at fair value:			
Mutual funds	25,700,261		25,700,261
Guaranteed investment contracts	25,623,113		25,623,113
Land	3,705,913		3,705,913
Commingled collective trusts	179,076,798		179,076,798
Real estate	18,608,174		18,608,174
Total assets	<u>253,346,293</u>	<u>9,248,086</u>	<u>262,594,379</u>
LIABILITIES			
Due to other funds		127,266	127,266
Retiree expense reimbursement payable		2,667	2,667
Total liabilities	<u>-</u>	<u>129,933</u>	<u>129,933</u>
NET POSITION			
Restricted for Pension and OPEB Benefits	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</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	\$ 8,650,763	\$ 10,349,000	\$ 18,999,763
Plan members	2,385,458	1,477,112	3,862,570
Total contributions	<u>11,036,221</u>	<u>11,826,112</u>	<u>22,862,333</u>
Investment earnings:			
Net change in fair value of investments	32,713,513		32,713,513
Interest and dividends	2,613,761	3,198	2,616,959
Total investment earnings (loss)	<u>35,327,274</u>	<u>3,198</u>	<u>35,330,472</u>
Less investment expenses:			
Investment management fees	948,336	667	949,003
Net investment earnings (loss)	<u>34,378,938</u>	<u>2,531</u>	<u>34,381,469</u>
Total additions (reductions)	<u>45,415,159</u>	<u>11,828,643</u>	<u>57,243,802</u>
Deductions:			
Benefits	18,776,033	6,244,093	25,020,126
Administrative expense	79,174		79,174
Total deductions	<u>18,855,207</u>	<u>6,244,093</u>	<u>25,099,300</u>
Change in Net Position	26,559,952	5,584,550	32,144,502
Net Position at Beginning of Year	<u>226,786,341</u>	<u>3,533,603</u>	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</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, 2020. 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 June 5, 2018 contribute 5% of regular compensation and new employees hired after June 5, 2018 contribute 7.5% of regular compensation);
- (b) Actuarially determined employer contribution as based upon different presumptions (ranged from \$5 million to \$6 million per annum);
- (c) Investment returns from discretionary funds including equity, lumber and real estate assets;
- (d) Interest paid by Aetna for use of monies in financial and insurance business

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

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

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

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

Basis of Accounting

The OPEB Trust Fund's financial statements are prepared on the accrual basis of accounting. Employees and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are expensed. 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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 0.08%. 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, 2020. The components of the net OPEB liability of the District at December 31, 2020 were as follows:

Total OPEB liability	\$ 182,380,057
Plan fiduciary net position	<u>9,118,153</u>
 Net OPEB Liability	 <u><u>\$ 173,261,904</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 5.00%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 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, 2020 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%	1.85%
Large Cap U.S. Equities	80%	4.35%

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.

The discount rate at December 31, 2020 increased 4.135% to 6.875% from 2.74% at December 31, 2019.

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, 2020	\$ 374,978,887	\$ 3,533,603	\$ 371,445,284
Changes for the year:			
Service cost	8,810,535		8,810,535
Interest on total OPEB liability	10,444,711		10,444,711
Changes of benefit terms	(41,393)		(41,393)
Differences between expected and actual experience	(72,440,991)		(72,440,991)
Changes in assumptions	(134,145,298)		(134,145,298)
Employer contributions		10,349,000	(10,349,000)
Member contributions		1,477,112	(1,477,112)
Net investment gain (loss)		2,531	(2,531)
Benefit payments, including refund of employee contributions	(5,226,394)	(6,244,093)	1,017,699
Administrative expenses			-
Net changes	<u>(192,598,830)</u>	<u>5,584,550</u>	<u>(198,183,380)</u>
Balances as of December 31, 2020	\$ 182,380,057	\$ 9,118,153	\$ 173,261,904

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

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

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
Net OPEB liability	\$ 196,351,189	\$ 173,261,904	\$ 154,223,053

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 149,925,623	\$ 173,261,904	\$ 202,110,398

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

For the year ended December 31, 2020, the District recognized OPEB revenue of \$14,864,256, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$8,571,804 and \$6,292,452, respectively. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Metropolitan District Employees' Retirement System	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 57,952,793	\$ 5,658,787
Changes of assumptions	128,675,991	40,934,382
Net difference between projected and actual earning on OPEB plan investments		225,196
Total	<u>\$ 186,628,784</u>	<u>\$ 46,818,365</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>	
2021	\$ (33,366,807)
2022	(33,366,804)
2023	(31,809,421)
2024	<u>(41,267,387)</u>
	\$ <u><u>(139,810,419)</u></u>

6. OTHER INFORMATION

A. Clean Water Project

The Clean Water Project addresses approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways 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 and was resubmitted with revisions in May 2020. The resubmitted LTCP introduces the concept of an “Integrated Plan”, which recognizes the District’s ongoing capital improvement and maintenance program and also furthers compliance with the governmental orders, with remedies such as replacing aged and damaged pipe and other system components, coupled with cleaning and other maintenance and rehabilitation activities, thereby increasing pipe capacity to reduce overflows. The concept and guidelines for Integrated Planning were introduced and accepted by EPA in 2012 for communities dealing with CSO compliance issues while maintaining existing aging infrastructure in an affordable manner. Managing this program balances new capital expenditures with maintenance expenditures, with priorities addressed to reduce, insofar as practical, costly emergency repairs of sewer collapses and other problems. The resubmitted LTCP retains the South Tunnel which is in construction, and 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.

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 for the next several years and then increase to approximately \$7.40 per hundred cubic feet (ccf) and remain at least at that level for a considerable period as the ongoing capital maintenance and rehabilitation program continues. The District Board sets the Clean Water Project Charge without the need for other approvals. The primary reasons for the increase in the Clean Water Project Charge are due to inflation of costs to complete the LTCP on a longer schedule and the inclusion of asset management projects, such as sewer lining, which previously were contemplated to be paid for through ad valorem taxes. As a result, the future increases to ad valorem taxes will be mitigated while the estimated total cost to the rate payers for both the Clean Water Project Charge and ad valorem taxes remain about the same on average. This assumes a continued level of Federal and State support in the form of grants and low-cost loans consistent with the support provided to date. Other options would increase the surcharge, particularly those options that accelerate work or change the sequencing, as would a change in the level of Federal and State funding support. The District remains mindful of maintaining an overall level of affordability for rate payers of the District, and in particular the residents of Hartford, which may lead to future adjustment in the nature of the Clean Water Project and its cost and financing. No assurance can be given as to the final cost of the Clean Water Project or the precise composition of its funding.

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

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

The District has issued, to date, \$271.075 million in Clean Water Project Revenue Bonds, \$252.350 million of which were outstanding as of December 31, 2020. 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. In 2020 the District purchased cyber liability insurance. The District established an internal service fund, the self-insurance fund, to account for and finance the retained risk of loss.

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

At December 31, 2019, the District had a deficit of \$6,537,627 in the self-insurance fund. The District was able to allocate this same amount to the self-insurance fund from unapplied funds that resided in the Clean Water Project fund. The claims liability of \$6,283,811 for the self-insurance fund reported at December 31, 2020 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
2019	\$	6,181,157	\$	17,651,151	\$	17,473,769	\$	6,358,539
2020		6,358,539		18,074,522		18,149,250		6,283,811

C. Contingent Liabilities

Arbitrage

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

Other

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

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

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

**THE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

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

In January, 2020, the MDC and plaintiffs engaged in mediation which resulted in a proposed settlement of the class action suit. The MDC District Board approved the Settlement Agreement on February 10, 2020, and the Settlement Agreement was executed by both parties. On April 21, 2020, the trial court granted a motion for preliminary approval of the class action settlement. Final approval of the Settlement Agreement occurred on September 3, 2020 at a court hearing. The basic terms of the settlement are that customers that paid the non-member town surcharge from March 2012 to October 2014 will either receive a credit in the amount of 103% of the surcharges paid on their current MDC water account or, if they are no longer an MDC water customer, receive a payment for 100% of the amount of the surcharges paid by the former customer, less any court-approved attorney's fees and costs. The total settlement value of all claims and attorney's fees is capped at \$7,680,000. This amount is included in the settlement liability and is a 2021 expense in the Water Utility fund. Unclaimed amounts by former MDC customers will be returned to the MDC.

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

**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, 2020**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxation:				
Hartford	\$ 13,035,400	\$ 13,035,400	\$ 13,035,400	\$ -
East Hartford	6,089,300	6,089,300	6,089,300	-
Newington	4,623,100	4,623,100	4,623,100	-
Wethersfield	4,240,800	4,240,800	4,240,800	-
Windsor	4,611,600	4,611,600	4,611,600	-
Bloomfield	3,879,300	3,879,300	3,879,300	-
Rocky Hill	3,144,100	3,144,100	3,144,100	-
West Hartford	11,852,100	11,852,100	11,852,100	-
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	1,269,400	1,269,400	1,392,704	123,304
Customer service charge	7,776,300	7,776,300	7,590,396	(185,904)
Nonmunicipal - tax exempt	6,159,900	6,159,900	5,876,363	(283,537)
Hi-flow charges	2,797,300	2,797,300	2,366,095	(431,205)
Hi-strength	988,000	988,000	613,439	(374,561)
Manchester	202,900	202,900	220,234	17,334
South Windsor	26,800	26,800	12,773	(14,027)
Farmington	143,700	143,700	82,776	(60,924)
Cromwell	8,800	8,800	11,738	2,938
Total sewer user fees	<u>19,373,100</u>	<u>19,373,100</u>	<u>18,166,518</u>	<u>(1,206,582)</u>
Intergovernmental:				
Sludge handling	11,436,400	11,436,400	10,756,758	(679,642)
Household hazardous waste	30,000	30,000	27,672	(2,328)
Total intergovernmental	<u>11,466,400</u>	<u>11,466,400</u>	<u>10,784,430</u>	<u>(681,970)</u>
Investment income	<u>600,000</u>	<u>600,000</u>	<u>145,404</u>	<u>(454,596)</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, 2020**

	<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	\$ 33,142	\$ 13,142
FOG Charges	150,000	150,000	236,899	86,899
Developers	582,000	582,000	43,768	(538,232)
Payroll additives and indirect costs			71,056	71,056
Late payment charges	1,029,900	1,029,900	698,774	(331,126)
Labor additives and overhead			99,667	99,667
Property rents	153,800	153,800	139,808	(13,992)
Sale of materials/equipment	88,000	88,000	85,876	(2,124)
Septage/glycol discharge fees	1,463,700	1,463,700	1,293,419	(170,281)
Rebates and reimbursements	15,000	15,000	139,213	124,213
PM Unit	8,291,000	8,291,000	8,291,000	-
Vendor discount revenue	500	500	220	(280)
Miscellaneous	150,000	150,000	130,338	(19,662)
Total other revenues	<u>11,943,900</u>	<u>11,943,900</u>	<u>11,263,180</u>	<u>(680,720)</u>
Total revenues	<u>94,859,100</u>	<u>94,859,100</u>	<u>91,835,232</u>	<u>(3,023,868)</u>
Total Revenues and Other Financing Sources	<u>94,859,100</u>	<u>94,859,100</u>	<u>91,835,232</u>	<u>(3,023,868)</u>
Expenditures:				
General government:				
District Board	203,600	203,600	163,378	40,222
Executive office	1,481,100	1,481,100	1,236,177	244,923
Legal	779,000	779,000	651,257	127,743
Information systems	2,730,500	2,730,500	2,585,437	145,063
Finance	2,459,600	2,459,600	2,237,757	221,843
Total general government	<u>7,653,800</u>	<u>7,653,800</u>	<u>6,874,006</u>	<u>779,794</u>
Engineering and planning	<u>662,900</u>	<u>662,900</u>	<u>509,238</u>	<u>153,662</u>
Operations:				
Environmental health and safety	467,500	467,500	373,088	94,412
Command Center	1,475,800	1,475,800	1,350,540	125,260
Chief Operating office	341,500	341,500	338,854	2,646
Customer service	1,060,300	1,060,300	950,727	109,573
Operations	2,750,100	2,750,100	2,446,601	303,499
Total operations	<u>6,095,200</u>	<u>6,095,200</u>	<u>5,459,810</u>	<u>635,390</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Plants and maintenance:				
Water pollution control	\$ 17,616,800	\$ 17,616,800	\$ 15,566,643	\$ 2,050,157
Laboratory services	868,400	868,400	734,813	133,587
Maintenance	5,636,200	5,636,200	5,003,671	632,529
Special agreements and programs	1,431,400	1,431,400	1,396,964	34,436
Total plants and maintenance	<u>25,552,800</u>	<u>25,552,800</u>	<u>22,702,091</u>	<u>2,850,709</u>
Employee benefits and other:				
Employee benefits	14,075,100	14,075,100	13,967,597	107,503
General insurance	2,370,700	2,370,700	2,235,390	135,310
Total employee benefits and other	<u>16,445,800</u>	<u>16,445,800</u>	<u>16,202,987</u>	<u>242,813</u>
Contingency	<u>1,980,000</u>	<u>1,980,000</u>	-	<u>1,980,000</u>
Debt service:				
Principal	21,800,000	22,950,000	18,685,930	4,264,070
Interest	14,352,600	13,267,600	13,057,777	209,823
Legal services	316,000	251,000	295,459	(44,459)
Total debt service	<u>36,468,600</u>	<u>36,468,600</u>	<u>32,039,166</u>	<u>4,429,434</u>
Total expenditures	<u>94,859,100</u>	<u>94,859,100</u>	<u>83,787,298</u>	<u>11,071,802</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	8,047,934	\$ <u>8,047,934</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	1,000,000
The District does not budget for sales accruals	706,703
The District does not budget for certain interest and note expense	(28,105)
The District does not budget for billable or developer payroll	(143,669)
The District does not budget for certain non-funded payroll	(152,329)
The District does not budget for year end payroll accruals	(143,111)
The District does not budget for bad debts	(1,427,621)
The District does not budget for year end expense accruals	(366,821)
The District does not budget for the retirement incentive plan	<u>(11,025)</u>

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

\$ 7,481,956

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

	<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	\$ 4,679,208	\$ 4,201,054	4,088,615	\$ 3,989,674	\$ 4,121,036	\$ 3,977,923	\$ 3,534,272
Interest	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	1,826,376	2,768,238	8,180,799	(605,374)	159,570	(348,426)	
Changes of assumptions	18,425,798	6,966,524				7,992,450	
Benefit payments, including refunds of member contributions	<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	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>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>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	8,650,763	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000
Contributions - member	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)	34,378,938	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	(18,776,033)	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,448,154)
Administrative expense	(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>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>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>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>\$ 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	81.54%	79.60%	74.72%	85.53%	79.63%	78.97%	85.07%
Covered payroll	\$ 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	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, 2020 decreased 0.125% to 6.875% from 7.00% at December 31, 2019.

Mortality assumption change: The mortality table was updated to the 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. Previously, the mortality assumption used the RP-2000 mortality table (using a 75%/25% blend of the Blue Collar and White Collar rates) with generational projection to Scale AA.

*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**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 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	\$ 15,050,472	\$ 8,809,272
Contributions in relation to the actuarially determined contribution	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	4,633,200	2,863,964
Contribution Deficiency (Excess)	\$ (1,894,418)	\$ 1,068,345	\$ (852,521)	\$ (923,622)	\$ -	\$ (194,777)	\$ (60,399)	\$ (76,572)	\$ (474,542)	\$ 10,417,272	\$ 5,945,308
Covered payroll	\$ 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	\$ 43,872,205	\$ 45,271,276
Contributions as a percentage of covered payroll	19.26%	12.66%	15.19%	14.97%	14.47%	14.07%	14.27%	15.17%	14.08%	10.56%	6.33%

Notes to Schedule

Valuation date: January 1, 2020
Measurement date: December 31, 2020
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	19 years
Asset valuation method	5-years, non-asymptotic
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	6.875%
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 SEVEN FISCAL YEARS***

	<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	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 FOUR FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:				
Service cost	\$ 8,810,535	\$ 6,698,208	\$ 8,531,854	\$ 7,730,316
Interest	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	(5,226,394)	(5,465,311)	(5,313,360)	(5,564,433)
Net change in total OPEB liability	(192,598,830)	85,680,224	(25,018,533)	29,304,791
Total OPEB liability - beginning	374,978,887	289,298,663	314,317,196	285,012,405
Total OPEB liability - ending	<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	10,349,000	9,146,000	5,000,000	5,000,000
Contributions - member	1,477,112	1,155,677	869,481	804,712
Net investment income (loss)	2,531			
Reimbursements		179,878	241,355	451,135
Benefit payments	(6,244,093)	(6,341,967)	(6,185,680)	(6,595,450)
Administrative expense	-	(5,589)		
Special item				(26,346,000)
Net change in plan fiduciary net position	5,584,550	4,133,999	(74,844)	(26,685,603)
Plan fiduciary net position - beginning	3,533,603	(600,396)	(525,552)	26,160,051
Plan fiduciary net position - ending	<u>9,118,153</u>	<u>3,533,603</u>	<u>(600,396)</u>	<u>(525,552)</u>
Net OPEB Liability - Ending	<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	5.00%	0.94%	-0.21%	-0.17%
Covered payroll	\$ 43,143,678	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483
Net OPEB liability as a percentage of covered payroll	401.59%	860.95%	665.89%	723.19%

Notes to Schedule:

Discount rate changes: The discount rate at December 31, 2020 increased 4.135% to 6.875% from 2.74% at December 31, 2019.

Medical trend rate changes: The medical trend rate at December 31, 2020 increased to 6.50% (6.30% for Post-65) - 4.30% over 53 years from a medical trend rate of 5.50% - 4.40% over 75 years at December 31, 2019.

Mortality assumption change: The mortality table was updated to the 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. Previously, the mortality assumption used the RP-2000 mortality table (using a 75%/25% blend of the blue Collar and White Collar rates) with generational projection to Scale AA.

* 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>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>	<u>2011</u>
Actuarially determined contribution (1)	\$ 13,846,000	\$ -	\$ -	\$ 18,458,692	\$ 15,855,000	\$ 14,765,820	\$ 15,755,000	\$ 15,162,000	\$ 14,301,000	\$ 19,989,745
Contributions in relation to the actuarially determined contribution	<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>	<u>26,995,985</u>
Contribution deficiency (excess)	<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>	<u>\$ (7,006,240)</u>
Covered payroll	\$ 43,143,678	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483	\$ 41,000,000	\$ 41,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ N/A
Contributions as a percentage of covered payroll	23.99%	21.20%	11.48%	11.48%	12.20%	12.20%	13.97%	16.28%	19.83%	N/A

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

Notes to Schedule

Valuation date: January 1, 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****LAST FOUR FISCAL YEARS***

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

**THE METROPOLITAN DISTRICT
FEDERAL SINGLE AUDIT REPORT
DECEMBER 31, 2020**



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CONSULTING**

**THE METROPOLITAN DISTRICT
FEDERAL SINGLE AUDIT REPORT
DECEMBER 31, 2020
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Independent Auditors' Report on Compliance For Each Major Federal Program, Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited The Metropolitan District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Metropolitan District's major federal program for the year ended December 31, 2020. The Metropolitan District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, The Metropolitan District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Metropolitan District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise The Metropolitan District's basic financial statements. We issued our report thereon dated June 25, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

West Hartford, Connecticut
June 25, 2021

**THE METROPOLITAN DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Federal Awarding Agency/ Pass-Through Grantor/ Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Loan Proceeds</u>	<u>Grant Expenditures</u>	<u>Total Expenditures</u>	<u>Expenditures to Subrecipients</u>
Environmental Protection Agency						
<i>Passed Through the State of Connecticut Department of Energy and Environmental Protection:</i>						
Capitalization Grants for Clean Water State Revolving Funds:						
CWF #657-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	\$ 2,743,519	\$ 1,564,771	\$ 4,308,290	\$ -
CWF #692-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	21,737,328	17,785,087	39,522,415	-
CWF #697-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	13,833	13,833	27,666	-
CWF #221-CSL	66.458	21014-DEP43720-40001/21015-DEP43720-42318	258,192		258,192	-
CWF #729-C	66.458	21014-DEP43720-40001/21015-DEP43720-42318	5,514,861	4,059,551	9,574,412	-
Total clean water fund state revolving funds			<u>30,267,733</u>	<u>23,423,242</u>	<u>53,690,975</u>	<u>-</u>
<i>Passed Through the State of Connecticut Department of Public Health:</i>						
Capitalization Grants for Drinking Water State Revolving Funds:						
DWSRF #2018-7074	66.468	12060-DPH48770-22467/21018-DPH48770-42319	117,985		117,985	-
DWSRF #2020-7086	66.468	12060-DPH48770-22467/21018-DPH48770-42319	1,334,309	571,847	1,906,156	-
Total drinking water fund state revolving funds			<u>1,452,294</u>	<u>571,847</u>	<u>2,024,141</u>	<u>-</u>
Total Federal Awards Expended					\$ 55,715,116	\$ -

The accompanying notes are an integral part of this schedule

**THE METROPOLITAN DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Metropolitan District under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

Basis of Accounting

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

2. INDIRECT COST RECOVERY

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

3. CLEAN WATER AND DRINKING WATER LOAN BALANCES

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

	<u>Clean Water Loans</u>	<u>Drinking Water Loans</u>
Loans payable at December 31, 2019	\$ 527,219,298	\$ 51,989,586
Loan proceeds	30,267,733	1,452,294
Loan repayments	<u>81,095,585</u>	<u>3,580,280</u>
Loans Payable at December 31, 2020	<u>\$ 476,391,446</u>	<u>\$ 49,861,600</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Metropolitan District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise The Metropolitan District's basic financial statements, and have issued our report thereon dated June 25, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

West Hartford, Connecticut
June 25, 2021

**THE METROPOLITAN DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$1,671,453

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

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**DEBT ISSUANCE RESOLUTION TO REFUND CERTAIN OF THE DISTRICT'S
GENERAL OBLIGATION BONDS, REVENUE BONDS AND/OR CLEAN WATER
FUND OBLIGATIONS AND TO ISSUE REVENUE BONDS FOR NEW MONEY FOR
THE CLEAN WATER PROJECT**

**ISSUANCE OF UP TO \$204,500,000 IN REFUNDING REVENUE BONDS AND UP TO
\$20,000,000 IN REVENUE BONDS.**

To: Board of Finance for consideration on July 7, 2021.

Staff is seeking authority for the District to issue up to \$204,500,000 in revenue bonds that will refund up to \$16,000,000 of the District's General Obligation Bonds, Issue of 2013, Series B (the "2013 Bonds") and/or up to \$137,500,000 of the District's Clean Water Project Revenue Bonds, 2014 Series A (Green Bonds) (the "2014 Bonds" and together with the 2013 Bonds, the "Refunded Revenue Bonds") and/or up to \$51,000,000 of the District's State of Connecticut Clean Water State Revolving Fund Project Loan Obligations (the "CWF Loans," and together with the Refunded Revenue Bonds, the "Refunded Obligations") and to issue up to \$20,000,000 in revenue bonds to provide additional funds for the Clean Water Project.

Hilltop Securities, Inc. has completed a financial analysis of the District's outstanding debt and recommended that the District refund various maturities of the District's Refunded Obligations. Based on current market conditions, Hilltop Securities, Inc. is projecting net present value savings for the refunding. Based on these projections, staff recommends that the District refund various maturities of the District's Refunded Obligations.

Bond counsel prepared the following resolution for consideration by the Board of Finance:

It is therefore RECOMMENDED that it be:

Voted: That the Board of Finance finds that the issuance of up to \$20,000,000 in revenue bonds to provide additional funds for the Clean Water Project is in the best interests of the District.

Voted: That the Board of Finance finds, based on the recommendation of staff, that the redeeming of the Refunded Obligations will result in a net present value savings to the District, and is in the best interests of the District.

Voted: That the Board of Finance recommends to the District Board passage of the following resolution:

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING
\$204,500,000 CLEAN WATER PROJECT REFUNDING REVENUE BONDS OF THE
METROPOLITAN DISTRICT AND AUTHORIZING THE ISSUANCE AND SALE OF
NOT EXCEEDING \$20,000,000 CLEAN WATER PROJECT REVENUE BONDS OF**

**THE METROPOLITAN DISTRICT, THE EXECUTION AND DELIVERY OF A
SUPPLEMENT TO THE SPECIAL OBLIGATION INDENTURE OF TRUST, AND
RELATED AGREEMENTS**

WHEREAS, the Metropolitan District (the “District”) has entered into a consent decree of the United States District Court of the District of Connecticut, by and between the District, the United States Department of Justice, the U.S. Attorney’s Office, the United States Environmental Protection Agency and the State of Connecticut Attorney General (the “U.S. Consent Decree”), and a consent order and a general permit for nitrogen discharges, and existing municipal national pollutant discharge elimination system permits of the State of Connecticut Department of Energy and Environmental Protection, formerly the State of Connecticut Department of Environmental Protection (“CDEP”) entered into by and between the District and the Commissioner of the CDEP (the “Connecticut Consent Order” and together with the U.S. Consent Decree, the “Governmental Orders”), including, but not limited to the obligation to provide for (i) the rehabilitation and reconstruction of portions of the District’s sanitary sewer systems, (ii) the renovation of the combined sewer system, (iii) improvements to water pollution control facilities, (iv) development of a nitrogen removal program, (v) the separation of sewerage and storm water drainage collection systems, (vi) the construction of additional storage, conveyance and treatment facilities (herein referred to as the “Project”);

WHEREAS, the District to date has appropriated \$1.928 billion in capital expenditures for the costs of the Project, and authorized the issuance of \$1.6 billion in its bonds for purposes of financing such capital expenditures;

WHEREAS, the District has issued its \$25,030,000 General Obligation Bonds, Issue of 2013, Series B (the “**Refunded General Obligation Bonds**”) and its \$140,000,000 Clean water Project Revenue Bonds, 2014 Series A (Green Bands) (the “**Refunded Revenue Bonds**”);

WHEREAS, the District has issued \$426,360,545 in outstanding principal amount State of Connecticut Clean Water State Revolving Fund Project Loan Obligations (the “**CWF Loans**”) and together with the Refunded General Obligation Bonds and the Refunded Revenue Bonds, the “**Refunded Obligations**”);

WHEREAS, the District has by ordinance adopted October 1, 2007 adopted Section S12x of its Ordinances Relating to Sewers, which provides for a Special Sewer Service Charge for customers of the District who utilize the District’s sewer system and are furnished water directly by the District (the “**Special Sewer Surcharge**”), which Special Sewer Surcharge shall be established annually through the District’s budget approval process, shall be uniformly applied to, and be proportional to the quantity of water used by, such customers, and shall be used exclusively for the payment of principal and interest on certain bonds issued or which may be issued and other loans, including State of Connecticut Clean Water Fund loans, to finance all costs associated with any and all measures necessary to comply with the Governmental Orders, including the costs of the Project;

WHEREAS, Chapter 103 of the General Statutes, the Municipal Sewerage Act (the “Municipal Act”) provides for the issuance of bonds, notes and other obligations by a municipality, including the District, which may be secured as to both principal and interest by a pledge of revenues to be derived from sewerage system use charges, including the Special Sewer Surcharge;

WHEREAS, the District’s Charter, as amended by Special Act 90-27, and as it may be amended from time to time (the “Charter,” and together with the Municipal Act, the “Authorizing Acts”), provides for the issuance of bonds, notes and other obligations by the District, and in connection therewith to enter into reimbursement agreements or similar agreements in connection with credit facilities, including, but not limited to, letters of credit or policies of bond insurance, remarketing agreements and agreements for the purpose of moderating interest rate fluctuations;

WHEREAS, the District proposes to issue special obligation bonds to be secured by a pledge of the Special Sewer Surcharge pursuant to the Authorizing Acts;

WHEREAS, special obligation bonds issued pursuant to the Municipal Act are not subject to the limit on indebtedness of the District provided for in the Charter;

WHEREAS, the District proposes to issue bonds pursuant to the Special Obligation Indenture of Trust dated as of June 1, 2013 (the “**Special Obligation Indenture**”) and a Fourth Supplemental Indenture thereto (the “**Fourth Supplemental Indenture**” and together with the Special Obligation Indenture, the “**Indenture**”) with U.S. Bank National Association, to finance the costs of the Project;

WHEREAS, the Indenture provides for the issuance of the Special Obligation Bonds (the “**Bonds**”) of the District, payable solely from the Special Sewer Surcharge, and other receipts, funds or moneys pledged under the Indenture, if any, and that such Bonds shall be special obligations of the District, payable solely from Pledged Revenues, and other receipts, funds or moneys pledged under the Indenture, and respective supplemental indentures thereto for each series of Bonds;

WHEREAS, the Board of Finance found, based on the recommendation of Hilltop Securities Inc., that the redemption of the Refunded Obligations will result in a net present value savings to the District and is in the best interests of the District;

WHEREAS, the District proposes to issue up to \$204,500,000 of its revenue bonds in one or more series (collectively the “**2021 Refunding Bonds**”) to refund all or any portion of the Refunded Obligations which were issued to fund costs of the Project, and up to \$20,000,000 of its revenue bonds (the “**2021 New Money Obligations**” and collectively with the 2021 Refunding Bonds, the “**2021 Obligations**”) to fund costs of the Project;

WHEREAS, the District intends to prepare a preliminary official statement and final official statement for the purpose of presenting information in connection with the offering and sale of the 2021 Obligations;

WHEREAS, the District proposes to issue and sell the 2021 Obligations to an underwriter or underwriters pursuant to a bond purchase agreement (the "**Contract for Purchase**"), to be negotiated between the District and the underwriters;

WHEREAS, a portion of the series of the 2021 Refunding Bonds used to refund the Refunded Revenue Bonds are expected to be issued on terms such that the interest thereon shall not be excludable from gross income for federal income tax purposes;

WHEREAS, the series of the 2021 Refunding Bonds used to refund the CWF Loans and the 2021 New Money Obligations are expected to be issued on terms such that the interest thereon shall be excludable from gross income for federal income tax purposes, and for the purpose of establishing such terms and giving assurance as to future compliance with the Internal Revenue Code of 1986, the District proposes to enter into a Tax Certificate and Tax Compliance Agreement;

WHEREAS, pursuant to Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as part of the offering of the 2021 Obligations the District proposes to enter into a Continuing Disclosure Agreement.

NOW THEREFORE, BE IT RESOLVED, by the District Board as follows:

Section 1. Not exceeding \$204,500,000 refunding revenue bonds (the "**2021 Refunding Bonds**") of the Metropolitan District (the "District") may be issued in one or more series and in such principal amounts as the Chairman, or in his absence, the Vice Chairman, and the District Treasurer, or in his absence, the Deputy Treasurer (the "**Authorized Officers**") shall determine to be in the best interests of the District for the purpose of achieving net present value savings and/or to moderate debt service payments. The 2021 Refunding Bonds are hereby authorized to refund all or any portion of any one or more maturities of the District's outstanding Refunded Obligations, or so much of them as may be determined by the Authorized Officers, plus the costs of issuing the 2021 Refunding Bonds. Each series of the 2021 Refunding Bonds shall mature in such amounts and on such date or dates as shall be determined by the Authorized Officers, provided that no 2021 Refunding Bonds shall mature later than the final maturity date of the last maturity of any Refunded Obligations being refunded by such series. The 2021 Refunding Bonds shall bear interest payable at such rate or rates as shall be determined by the Authorized Officers. The 2021 Refunding Bonds shall be executed in the name and on behalf of the District by the manual or facsimile signatures of the Authorized Officers, bear the District seal or a facsimile thereof, and be approved as to their legality by Shipman & Goodwin LLP, Bond Counsel to the District. The Authorized Officers are authorized to negotiate, execute and deliver one or more Contracts of Purchase setting forth all the terms of sale of the 2021 Refunding Obligations, including the underwriters' discount for such sale, in such form as they shall deem necessary and appropriate. The aggregate denominations, form, details, and other particulars thereof, including the terms of any rights of redemption and redemption prices, the designation of the certifying, paying, registrar and transfer agent, shall be subject to the approval of the Authorized Officers. The net proceeds of the sale of the

2021 Refunding Bonds, after payment of underwriters' discount and other costs of issuance, shall be deposited in one or more irrevocable escrow accounts in an amount sufficient to pay the principal of, interest and redemption premium, if any, due on the Refunded Obligations to their maturity or earlier redemption pursuant to the plan of refunding. The Authorized Officers are authorized to appoint an escrow agent and other professionals and to execute and deliver any and all escrow, investment and related agreements necessary to provide for such payments on the Refunded Obligations and to provide for the transactions contemplated hereby. The Authorized Officers are authorized to execute and deliver on behalf of the District such documents necessary or desirable for the issuance of the 2021 Refunding Bonds and the redemption of the Refunded Obligations. The Authorized Officers are authorized to execute and deliver one or more Tax Certificates and Tax Compliance Agreements for the 2021 Refunding Bonds used to refund the CWF Loans on behalf of the District in such form as they shall deem necessary and appropriate, and to rebate to the federal government such amounts as may be required pursuant to the Tax Certificate for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended.

Section 2. The District Board finds that the issuance of a portion of the 2021 Refunding Bonds used to refund the Refunded Revenue Bonds on a taxable basis is in the best interests of the District.

Section 3. Not exceeding \$20,000,000 revenue bonds of the Metropolitan District, (the "**2021 New Money Obligations**" and together with the Refunding Bonds, the "**2021 Obligations**") are hereby authorized to be issued to fund such portion of the authorized and unissued balances of the capital appropriations for the Project, plus the costs of issuing the 2021 New Money Obligations. The 2021 New Money Obligations shall be dated the date of their delivery, shall mature in annual installments of principal and bear interest semi-annually each year until maturity. The 2021 New Money Obligations shall be payable at and certified by U.S. Bank National Association, which bank shall also serve as registrar and transfer agent for the 2021 New Money Obligations. The Authorized Officers are authorized to execute and deliver one or more Tax Certificates and Tax Compliance Agreements for the 2021 New Money Obligations on behalf of the District in such form as they shall deem necessary and appropriate, and to rebate to the federal government such amounts as may be required pursuant to the Tax Certificate for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended.

Section 4. The District Board determines it is advisable and in the best interest of the District to authorize, and does hereby authorize, the District to enter into the Fourth Supplemental Indenture to the Special Obligation Indenture and to effect the pledge of the Special Sewer Surcharge as provided for therein, such Fourth Supplemental Indenture to be in the form, or substantially the form, as has been or shall be distributed to the District Board, and authorizes the Authorized Officers to execute and deliver such Fourth Supplemental Indenture in such form, with such further changes and additions as they shall approve, such approval to be conclusively evidenced by the execution and delivery of such Fourth Supplemental Indenture by such Authorized Officers.

Section 5. The District Board also determines to deposit into the Rate Stabilization Fund established under the Indenture and subject to the pledge of the Indenture, all Special Sewer Surcharge revenues of the District which have not heretofore been used by the District to pay indebtedness of the District.

Section 6. The District Board authorizes the use of such preliminary official statement in connection with the public offering of the 2021 Obligations as the Authorized Officers shall deem advisable, and authorizes the Authorized Officers, in the name of the District, to deem the preliminary official statement and such supplements final when appropriate and execute a final official statement and such supplements, and any further amendment or supplement thereto, in connection with and after the sale of the 2021 Obligations.

Section 7. The Authorized Officers are hereby authorized to determine the principal amount, maturities, rate or rates of interest, redemption terms, and the other particulars of the 2021 New Money Obligations, and to deliver the 2021 New Money Obligations to the purchaser thereof in accordance with this resolution. The Authorized Officers are authorized to negotiate, execute and deliver one or more Contracts of Purchase setting forth all the terms of sale of the 2021 New Money Obligations, including the underwriters' discount for such sale, in such form as they shall deem necessary and appropriate. The 2021 New Money Obligations shall be executed in the name and on behalf of the District by the manual or facsimile signatures of the Authorized Officers, bear the District seal or a facsimile thereof, and be approved as to their legality by Shipman & Goodwin LLP, Bond Counsel to the District. The Authorized Officers are authorized to execute and deliver a Tax Certificate and Tax Compliance Agreement for the 2021 New Money Obligations issued on a tax-exempt basis on behalf of the District in such form as they shall deem necessary and appropriate, and to rebate to the federal government such amounts as may be required pursuant to the Tax Certificate for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended. The Authorized Officers are authorized to execute and deliver a Continuing Disclosure Agreement and any and all agreements and documents necessary to effect the issuance and sale of the 2021 New Money Obligations in accordance with the terms of this resolution. The Authorized Officers and other proper officers of the District are hereby authorized to do and perform such acts, and execute and deliver, in the name of the District, such additional instruments, agreements and certificates as they deem necessary or appropriate to carry into effect the intent of the foregoing resolutions, and as shall not be inconsistent with the foregoing resolutions.

Section 8. The District hereby determines and declares, for purposes of Section 7-263 of the Connecticut General Statutes, that the 2021 Obligations are part of a single plan of finance that also includes all prior borrowings from the State of Connecticut Clean Water State Revolving Fund for the purpose of financing the Project, and all prior general obligation bonds of the District (but not any bond anticipation notes issued in anticipation of the issuance of such general obligation bonds) issued for purposes of financing the Project.

Section 9. The District hereby expresses its official intent pursuant to §1.150-2 of the Federal Income Tax Regulations (the “Regulations”), to reimburse expenditures paid sixty days prior to and any time after the date of passage of this resolution, or otherwise as may be allowed under the Regulations, in the maximum amount and for the Projects with the proceeds of the 2021 New Money Obligations authorized to be issued by the District. The 2021 New Money Obligations shall be issued to reimburse such expenditures not later than 18 months after the later of the date of the expenditure or the substantial completion of the Projects, or such later date the Regulations may authorize. The District hereby certifies that the intention to reimburse as expressed herein is based upon its reasonable expectations as of this date. The Authorized Officers are authorized to amend such expression of official intent to bind the District pursuant to such changes he deems necessary or advisable to maintain the continued exemption from federal income taxation of interest on the 2021 New Money Obligations.

Section 10. This resolution will take effect immediately.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Scott W. Jellison', written in a cursive style.

Scott W. Jellison
Chief Executive Officer

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF GENERAL
OBLIGATION BONDS OF THE METROPOLITAN DISTRICT IN AN AMOUNT NOT TO
EXCEED \$160,000,000 AND GENERAL OBLIGATION REFUNDING BONDS IN AN
AMOUNT NOT TO EXCEED \$18,000,000**

To: Board of Finance for consideration on July 7, 2021

Bond Counsel prepared the following resolution for your approval.

It is therefore RECOMMENDED that it be:

VOTED: That the Board of Finance recommends to the District Board adoption of the following resolution from Bond Counsel.

BE IT RESOLVED:

SECTION 1. The Metropolitan District (the "District") General Obligation Bonds (the "**New Money Bonds**") in an amount not to exceed \$160,000,000, are hereby authorized to be issued to: (a) redeem the District's \$95,000,000 General Obligation Bond Anticipation Notes maturing September 1, 2021, plus any interest accrued thereon, (b) fund \$65,000,000 of new money for Capital Improvement Projects (the "Projects"), and (c) pay certain costs of issuance for the New Money Bonds. The New Money Bonds are authorized to be issued to fund such portion of the authorized and unissued balances of the capital appropriations contained in certain bond resolutions adopted to finance capital budget items enacted by the District Board, and for such Projects as determined by the Chairman, or in his absence, the Vice Chairman, and the District Treasurer, or in his absence the Deputy Treasurer (the "**Authorized Officers**"). Proceeds of the New Money Bonds shall be used to finance the expenditures for any of the purposes or Projects and for any supplemental purposes or projects the Board of Finance and the District Board may from the date hereof authorize to be financed by the issuance of bonds.

SECTION 2. The District's General Obligation Refunding Bonds (the "**Refunding Bonds**"), in an amount not to exceed \$18,000,000 are hereby authorized to be issued to refund all or any portion of the outstanding maturities of the District's General Obligation Bonds, Issue of 2013, Series A (the "**Refunded Bonds**"), which may be optionally redeemed on or after February 1, 2022, and to pay certain costs of issuance for the Refunding Bonds. The District is authorized to enter into and deliver a forward purchase contract or agreement in connection with the sale and issuance of the Refunding Bonds, providing for the issuance of the Refunding Bonds on a date to permit the Refunding Bonds to be issued on a tax-exempt basis. The New Money Bonds together with the Refunding Bonds are collectively referred to herein as the "**Bonds.**"

SECTION 3. The New Money Bonds shall be dated on or about September 1, 2021 and the Refunding Bonds shall be dated on or about November 3, 2021. The Bonds shall have maturity dates in accordance with the Connecticut General Statutes,

as amended, and shall bear interest payable semi-annually each year until maturity and be issued in fully registered form. The Bonds shall be payable at and certified by U.S. Bank National Association, which bank shall also serve as registrar and transfer agent for the Bonds. The Bonds may be sold as single issues or consolidated with any other authorized issues of bonds of the District. The Bonds shall be sold by the District Treasurer, or in his absence, the Deputy Treasurer, in one or more competitive offerings or negotiated offerings, in the discretion of the District Treasurer, or in his absence, the Deputy Treasurer. If sold in one or more competitive offerings, the Bonds shall be awarded to the bidder or bidders offering to purchase the Bonds at the lowest true interest cost to the District, and in no case for a sum less than par and accrued interest to the date of delivery, and the District Treasurer, or in his absence the Deputy Treasurer, is hereby authorized to determine the principal amount to be issued, the principal amount to mature in each year, the optional redemption date(s) and redemption premium(s), if any, and the rate or rates of interest on the Bonds, and deliver the Bonds to the purchaser(s) thereof in accordance with this resolution. If sold in one or more negotiated offerings, the Authorized Officers are authorized to negotiate, execute and deliver one or more bond purchase agreements for the Bonds setting forth all the terms and conditions of the sale in such form as they shall deem necessary and appropriate, and deliver the Bonds to the purchaser(s) thereof in accordance with this resolution.

SECTION 4. The Bonds shall be executed in the name and on behalf of the District by the manual or facsimile signatures of the Authorized Officers, bear the District seal or a facsimile thereof, and be approved as to their legality by Shipman & Goodwin LLP, Bond Counsel to the District. The Authorized Officers are authorized to execute and deliver a Tax Certificate and Tax Compliance Agreement on behalf of the District in such forms as they shall deem necessary and appropriate, and to rebate to the federal government such amounts as may be required pursuant to the Tax Certificate for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended. The Authorized Officers are authorized to execute and deliver a Continuing Disclosure Agreement and any and all agreements and documents necessary to effect the issuance and sale of the Bonds in accordance with the terms of this resolution. The Authorized Officers are authorized to appoint an escrow agent and other professionals and to execute and deliver any and all escrow, investment and related agreements necessary to provide for such payments on the Refunded Bonds and to provide for the transactions contemplated hereby. The Authorized Officers are authorized to execute and deliver on behalf of the District any documents or instruments necessary or desirable for the issuance of the Bonds.

Respectfully submitted,



Scott W. Jellison
Chief Executive Officer