

**METRO WASTEWATER RECLAMATION DISTRICT**  
**STATE OF COLORADO**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Years Ended December 31, 2016 and 2015



**RECEIVED**

*By the Office of the State Auditor at 9:18 am, Jun 27, 2017*

Cover photograph: The Metro District's Robert W. Hite Treatment Facility, with downtown Denver and the Rocky Mountains in the background.

## **I. INTRODUCTORY SECTION**



STATE OF COLORADO

# ***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015

SUBMITTED BY:

**THE FINANCE DIVISION**

**METRO WASTEWATER RECLAMATION DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**  
**DECEMBER 31, 2016 and 2015**

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Catherine R. Gerali, District Manager

June 19, 2017

To the Board of Directors and Citizens of  
the Metro Wastewater Reclamation District:

The Comprehensive Annual Financial Report (CAFR) of the Metro Wastewater Reclamation District (Metro District or District) for the fiscal years ended December 31, 2016 and 2015, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Metro District Management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District's two reporting funds, the Enterprise Fund and the Defined Benefit Retirement Plan. All disclosures necessary to allow the reader to gain an understanding of the District's financial activities have been included. Management's Discussion and Analysis in the Financial Section provides an overview and analysis of the financial activities for the years ended December 31, 2016 and 2015.

The Metro District has included in the accompanying financial statements all funds controlled by the District's Board of Directors in conformance with the Governmental Accounting Standards Board standards. Control is determined on the basis of budget adoption, appropriating authority, and managerial direction by the District's Board. The reporting entity and fund types are described in detail in note 1 to the financial statements. The District itself is an Enterprise Fund for accounting purposes, although its budget and account records are segregated into several different funds per mandates in bond covenant requirements. The Defined Benefit Retirement Plan is included in the Comprehensive Annual Financial Report because members of the Retirement Board are appointed by the District's Board.

The Metro District, a political entity authorized by the State of Colorado, was organized on May 15, 1961, for the purpose of constructing and operating a wastewater transmission and disposal system in the greater Denver metropolitan area. The District's original 20-member municipalities and special districts (Member Municipalities) collect wastewater and deliver it to the District's interceptor lines. An additional 26 municipalities and special districts (Special Connectors) that collect and deliver wastewater to the District's interceptor system have been added since the District's inception. The District treats an average of 130 million gallons per day (mgd) of wastewater for the Member Municipalities and Special Connectors at its Robert W. Hite Treatment Facility. The District completed the new Northern Treatment Plant (NTP) located in Brighton, Colorado, and the NTP began treating wastewater in October 2016. Most of the District's biosolids are land applied as a soil amendment on more than 300 permitted sites, including the District's 52,000 acre METROGRO Farm.

The Metro District's service area totals approximately 715 square miles, located in all or part of six counties: Adams, Arapahoe, Denver, Douglas, Jefferson, and Weld. In 2016, the six-county area had an estimated total population of 3.1 million of which the District estimates it serves an approximate population of 1.8 million.

## **ECONOMIC CONDITION AND OUTLOOK**

The Metro District is located in the largest metropolitan area in the State of Colorado. Metropolitan Denver (Metro Denver) is composed of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. According to the Metro Denver Economic Development Corporation (EDC), Metro Denver will continue to perform better than the national economy and expand at a faster-than-average pace in 2017. Employment growth continues and all supersectors of the regional economy are expected to post strong employment growth in 2017 (natural resources and construction, education and healthcare service, financial activities, and leisure and hospitality). However, global economic uncertainty could impact the regional economy.

- Metro Denver's employment growth is expected to be 2.4 percent in 2017, and the EDC expects the addition of about 39,000 jobs.
- Metro Denver continues to attract new companies, draw in a young workforce, and promote entrepreneurship. Population is expected to increase by 56,300.
- The Metro Denver residential real estate market is expected to remain strong. Home prices will continue to rise and construction activity will continue at a quick pace; however, the market will be somewhat constrained due to the limited inventory. There are continued challenges related to millennials and baby boomers seeking affordable, owner-occupied housing. An additional 22,900 housing units are anticipated in 2017.
- The City and County of Denver has the nation's largest park system, with more than 200 parks within city limits and 20,000 acres of parks in nearby mountains. Metro Denver's attractiveness as a key location for business expansion and quality of life continues to shine.

## **MAJOR INITIATIVES**

### **Strategic Planning**

In 2015, the Metro District engaged in a comprehensive effort with the Board of Directors and staff to complete a new strategic plan. The District's planning process involved shared plan development responsibilities among the Board and District staff, additional input from a large group of internal and external stakeholders, and in-depth involvement of more than 80 employees. The strategic planning process was designed to establish a shared vision of the District's goals and a common understanding of the resource needs, commitments, working environment, and principles upon which strategies will be based. The process also promoted acceptance of the 2016 Strategic Plan for achieving the District's goals and the formal integration of strategic planning direction and implementation into the District's day-to-day operating activities. The Board adopted the 2016 Strategic Plan at its August 16, 2016, meeting.

Since the adoption of the 2016 Strategic Plan, the Metro District has been engaged in developing implementation strategies with stakeholders. Specifically, this has led to the formation of cross-departmental implementation teams with involvement of over 70 employees. The teams are developing specific tactics to achieve the District's strategic goals. The timeline for implementation is five years.

## **Innovation**

In 2015, the Innovation Initiative was launched to help formalize and provide resources to ensure the Metro District keeps pace with innovation occurring in the wastewater treatment industry. This includes leading, fostering, and prioritizing ideas that could help reduce costs, increase performance, and improve sustainability.

## **Energy Management Initiative**

A more recent focus is on the Energy Management Initiative. Historically, centralized wastewater treatment has been energy intensive and the Metro District is no exception. A significant industry trend is the recognition that wastewater treatment facilities with appropriate economies of scale and the necessary organizational capabilities can become resource recovery facilities for their region. There is substantial carbon and thermal energy embedded in untreated wastewater. The District is engaged in developing an energy management framework to guide capital investments and operational decision-making, and influence the District's culture in a manner that will reduce energy consumption and carbon dioxide emissions related to energy consumption and increase onsite energy production. Implementation of the framework is expected to take approximately six years.

## **Facility Planning**

The Metro District will soon begin updating a District-wide facility planning document—the 2018 Facility Plan—to evaluate changes in wastewater characterizations, regulatory conditions, and other drivers. The District updates its Facility Plan every five years; the 2013 Facility Plan was published in March 2014 and will be updated to reflect recent capital improvements and changes in planning-level drivers and to combine other studies or evaluations completed since the 2013 Facility Plan. The Facility Plan is based on a 20-year planning period and looks at needs related to treatment, transmission, biosolids, support facilities, and energy management. The Facility Plan is the primary driver for long-term capital expenditure budgeting.

## **FINANCIAL INFORMATION**

### **Internal Control**

Metro District Management is responsible for establishing and maintaining internal controls to ensure assets of the District are protected from loss, theft, or misuse, and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by Management.

### **Budgeting Controls**

The Metro District maintains strict budgetary controls to ensure compliance with legal provisions embodied in the various bond covenants and in the annual budget approved by the District's Board of Directors. Activities of the Operations and Maintenance Fund, as defined in bond covenants, are appropriated in the annual budget. Capital projects are appropriated individually from the Fixed Asset Replacement Fund, Acquisition and Construction Fund, or the General Fund, depending on the nature of the project. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the fund total with a specific

allocation for capital outlay for the Operations and Maintenance Fund. The individual project appropriation is the legal level of control for expenses incurred by the Fixed Asset Replacement Fund, Acquisition and Construction Fund, and the General Fund. All activities of the District, other than the Defined Benefit Retirement Plan, are reported in the Enterprise Fund in the enclosed financial statements in accordance with accounting principles generally accepted in the United States. Supplementary schedules display the budgetary comparison for 2016 as well as reconciliation between the budgetary format and that required by these generally accepted accounting principles. Management's Discussion and Analysis in the Financial Section provides an overview and analysis of the financial activities of the District for the years ended December 31, 2016 and 2015.

## **CAPITAL FINANCING POLICY**

Prior to 1991, the Metro District typically issued bonds to finance its capital needs. In 1991, in an effort to reduce or defer long-term debt, the District began progressively cash-financing capital projects. From 2002 until late 2009, all capital projects were financed with revenue from operations, primarily from Annual Charges for Service, Sewer Connection Charge fees, and existing reserves. When the Board of Directors made the change to cash financing, the Board acknowledged that during future periods when capital needs were high, the District would use bond financing again. The District issued 2009A&B Bonds in the amount of \$250 million and in 2012 issued \$380 million in bonds. The 2009 and 2012 bond issues provided the District with an additional funding source for financing its NTP Program and South Secondary Improvements Project, which helped mitigate the need for higher annual rate increases to its Member Municipalities and Special Connectors. The District is currently planning to expend over \$922.8 million through 2027 to rebuild aging facilities, pay for needed improvements due to increased regulations, and build additional infrastructure to address growth throughout its service area. The District anticipates cash financing these improvements and does not contemplate issuing additional bonds at this time.

## **INDEPENDENT AUDIT**

The Metro District's Bylaws require an annual audit of the books of account, financial records, and transactions to be conducted by independent certified public accountants selected by the Board of Directors. The opinion of the District's auditor, CliftonLarsonAllen LLP, on the financial statements and on additional information is included in this report.

## **AWARDS**

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metro District for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2015. Certificates of Achievement were also awarded by the GFOA for the previous 28 District CAFRs (1987–2014).

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. Metro District staff believes its current report continues to conform to the Certificate of Achievement program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

A Certificate of Achievement is valid for a period of one year. Metro District staff believes its current report continues to conform to the Certificate of Achievement program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

**ACKNOWLEDGMENTS**

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the Finance Division. Each member of the Division has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Board of Directors, preparation of this report would not have been possible.

Respectfully submitted,

  
\_\_\_\_\_  
Catherine R. Gerali, District Manager

  
\_\_\_\_\_  
Donald P. Warn, Director of Administrative Services

  
\_\_\_\_\_  
Molly Kostecky, Finance and Accounting Officer



Catherine R. Gerali, District Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Metro Wastewater Reclamation  
District, Colorado**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director/CEO

# METRO WASTEWATER RECLAMATION DISTRICT

## METRO DISTRICT OFFICIALS

DECEMBER 31, 2016

### BOARD OF DIRECTORS

#### Officers of the Board

Daniel Mikesell : Chairman  
Philip Burgi : Chairman Pro Term  
Gerry Schulte : Secretary  
Peter Baertlein : Treasurer

#### Members of the Board

Peter Adler	George Dumas	Claude Off
Curt Aldstadt	John Ennis	Barbara Puls
Thomas Bellinger	Mark Hunter	Ronald Sanchez
Charlie Brown	Joan Iler	Kim Schoen
Nadine Caldwell	Kathryn Jensen	Amerigo Svaldi
Philip Cipri	Andrew Johnston	Dennis Towndrow
Cheryl Cohen-Vader	Craig Kocian	Scott Twombly
Tom Colchin	Ingrid Lindemann	Celia VanDerLoop
David Councilman	Charles Long	Ronald Younger
John Dingess	Martin Majors	

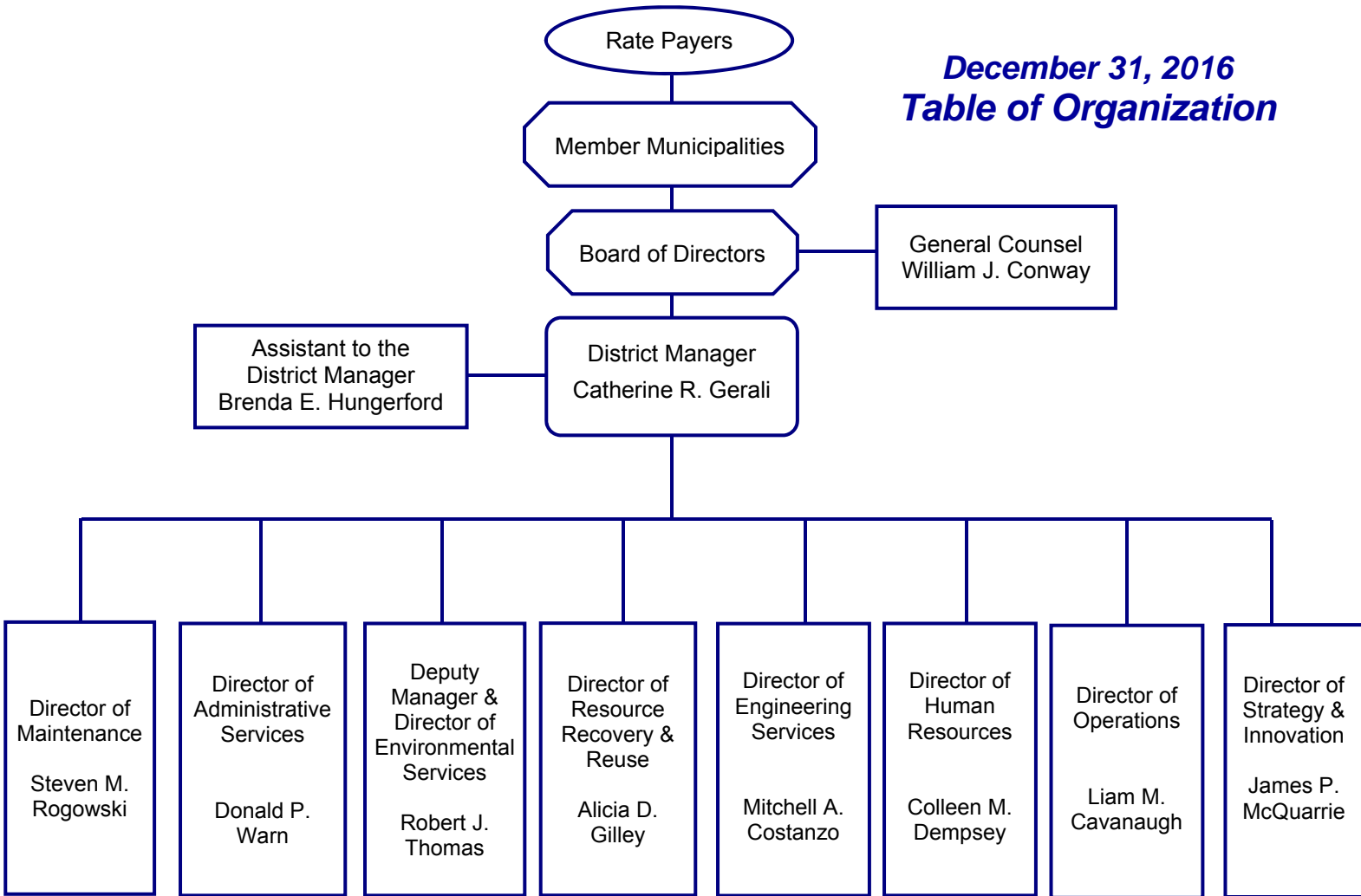
#### Staff Officials

Catherine R. Gerali : District Manager  
Robert J. Thomas : Deputy Manager and Director of Environmental Services  
Steven M. Rogowski : Director of Maintenance  
Liam M. Cavanaugh : Director of Operations  
Alicia D. Gilley : Director of Resource Recovery and Reuse  
Donald P. Warn : Director of Administrative Services  
Mitchell A. Costanzo : Director of Engineering  
Colleen M. Dempsey : Director of Human Resources  
William J. Conway : General Counsel  
James P. McQuarrie : Director of Strategy and Innovation



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 (303) 286-3000 • Telefax (303) 286-3029

**December 31, 2016  
 Table of Organization**



**Number of Employees by Department**

Maintenance	73.00
Operations	46.00
Resource Recovery and Reuse	71.00
Administrative Services	59.00
Engineering	37.75
Environmental Services	70.50
Human Resources	5.00
Office of the General Counsel	2.00
Office of the Manager	3.00
Strategy and Innovation	9.00
<b>Total Metro District Employees</b>	<b>376.25</b>

## **II. FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Metro Wastewater Reclamation District  
Denver, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Metro Wastewater Reclamation District (the District), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the Metro Wastewater Reclamation District as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Funding Progress 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro Wastewater Reclamation District's basic financial statements. The Supplementary Information listed as Schedules 1 and 2 in the table of contents and other information, such as the Introductory and Statistical Sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is 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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
June 19, 2017

# **METRO WASTEWATER RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2016 and 2015  
(Unaudited)

As management of the Metro Wastewater Reclamation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the years ended December 31, 2016 and 2015. This discussion and analysis is presented for the District's primary operations.

## **Financial Highlights**

- The District's net position of \$790.7 million at December 31, 2016 increased over the course of 2016 by \$63.4 million or approximately 8.7%.
- Sewer connection fees increased \$9.0 million in 2016 from \$45.1 million to \$54.1 million due primarily to the number of new sewer connections.
- Total operating revenue increased \$6.3 million in 2016 due primarily to a 3.8% increase in annual charges for service rates to connectors.

## **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 financial statements are comprised of three components: 1) management's discussion and analysis, 2) the financial statements, 3) notes to the financial statements that explain in more detail some of the information in the financial statements, and 4) Required Supplementary Information and Other Schedules.

During fiscal year 2016, the District implemented the provisions of GASB No. 72, *Fair Value Measurement and Application* (GASB No. 72). This Statement addresses accounting and financial reporting issues related to fair value measurements. The requirements will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. See Note 3(j) for additional details.

## **Required Financial Statements**

The financial statements of the District report information using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the District's overall financial status.

The statements of net position present information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the categories reported as net position. These statements provide information about the nature and the amounts of investments in resources and the obligations to the District's creditors. They provide one way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. One will also need to consider other nonfinancial factors, such as changes in economic conditions, population, and industrial/commercial customer growth, and new or changed government legislation.

Each year's revenue and expenses are accounted for in the statements of revenue, expenses, and changes in net position. These statements measure operations over the year and can be used to determine whether the District has recovered all of its costs through its user fees and other charges.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2016 and 2015  
(Unaudited)

The final required financial statements are the statements of cash flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital financing activities. These statements provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Financial Analysis of the District's Operations**

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources, exceeded liabilities plus deferred inflows of resources, by \$790.7 million at December 31, 2016 and \$727.3 million at December 31, 2015.

Unrestricted assets totaled approximately \$358.3 million and \$334.3 million at year-end 2016 and 2015, respectively. These balances primarily represent unrestricted cash, cash equivalents, investments, and accounts receivables from connectors. Restricted assets totaled \$36.8 million and \$74.0 million at year-end 2016 and 2015, respectively. These restricted assets represent cash, cash equivalents, and investments restricted by bond covenants required to be used for future debt service payments. Capital assets totaled \$1,078.8 million and \$1,033.8 million at year-end 2016 and 2015, respectively. These assets include investments in wastewater plant, including pipelines and buildings, machinery, equipment, and vehicles.

Current liabilities totaled approximately \$49.2 million and \$58.2 million at year-end 2016 and 2015, respectively, and include trade payables, accrued payroll and related benefits to employees, accrued interest payable on outstanding bonded debt, and the current portion of long-term debt. Noncurrent liabilities totaled approximately \$640.9 million and \$664.5 million at year-end 2016 and 2015, respectively, and represent the noncurrent principal amounts of outstanding bond issues, the noncurrent portion of compensated absences, the net pension liability and other postemployment healthcare benefits liability.

As can be seen in the following Table A-1, net investments in capital assets are the largest portion of the District's net position (58.2%) in 2016 and (59.0%) in 2015, and reflect its investment in capital assets (e.g., sewers, buildings, machinery, and equipment) less related debt. They totaled \$460.1 million and \$429.5 million at year-end 2016 and 2015, respectively. The net increase of \$30.6 million over 2015 is primarily due to a \$45.0 million net increase in capital assets offset by an increase of \$14.4 million in debt spent on capital projects (debt decreased by \$23.8 million, and unspent bond proceeds decreased by \$38.2 million, arriving at a \$14.4 million increase in debt spent on capital projects). The net increase of \$13.7 million over 2014 is primarily due to \$98.5 million net increase in capital assets offset by an increase of \$84.8 million in debt spent on capital projects (debt decreased by \$14.1 million, and unspent bond proceeds decreased by \$98.9 million, arriving at a \$84.8 million increase in debt spent on capital projects). The District uses these assets to provide wholesale wastewater transmission and treatment for approximately 75% of the Denver metropolitan area and serves approximately 1.7 million people. As the District uses these capital assets in its operations, they are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2016 and 2015  
(Unaudited)

Restricted net position is restricted for current debt service payments and debt service reserve as required by debt covenants and represent the excess of assets restricted for debt service payments over the accrued interest liability. These totaled approximately \$30.0 million and \$28.8 million at year-end 2016 and 2015, respectively. Unrestricted net position comprises the remainder of the balance. This net position may be used for any purposes. Unrestricted net position totaled approximately \$300.6 million and \$269.1 million at year-end 2016 and 2015, respectively. Although these balances are not restricted by debt covenants or other external sources, portions of this net position are designated by the Board of Directors for specific purposes.

**Table A-1**  
**Condensed Summary of Net Position**  
(In thousands)

	December 31,		
	2016	2015	2014
Unrestricted assets	\$ 358,318	\$ 334,256	\$ 290,736
Restricted assets	36,840	73,989	163,558
Capital assets, net	1,078,838	1,033,849	935,383
Total assets	1,473,996	1,442,094	1,389,677
Deferred outflows of resources	7,670	9,218	9
Current liabilities	49,233	58,244	46,136
Noncurrent liabilities	640,894	664,539	677,971
Total liabilities	690,127	722,783	724,107
Deferred inflows of resources	837	1,213	1,475
Net investment in capital assets	460,052	429,463	415,811
Restricted	30,016	28,751	19,240
Unrestricted	300,634	269,102	229,053
Total net position	\$ 790,702	\$ 727,316	\$ 664,104

The primary variances between 2016, 2015, and 2014 are related to restricted and capital assets and noncurrent liabilities. Restricted assets decreased by \$37.1 million during 2016 and decreased by \$89.6 million during 2015. The decrease in 2016 was primarily due to spending of restricted bond proceeds for additions to construction in progress. The decrease in 2015 was also primarily due to spending of restricted bond proceeds for additions to construction in progress. Capital assets increased by \$45.0 million and \$98.5 million during 2016 and 2015, respectively, due primarily to additions in construction in progress. Noncurrent liabilities decreased by \$23.6 million during 2016 due primarily to the principal payments on outstanding bonds. Noncurrent liabilities decreased in 2015 primarily due to the principal payments on outstanding bonds. For further information, please see the capital assets and debt administration discussion on pages II - 7 - II - 9.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2016 and 2015  
(Unaudited)

As can be seen in the following Table A-2, net position increased \$63.4 million to \$790.7 million in 2016 and \$63.2 million to \$727.3 million in 2015. The increase in net position in 2016 was primarily due to receiving \$54.1 million in sewer connection fees plus income before sewer connection fees of \$9.3 million. The increase in net position in 2015 was primarily due to receiving \$45.1 million in sewer connection fees plus income before sewer connection fees of \$18.1 million.

**Table A-2**  
**Summary of Revenue, Expenses,**  
**and Changes in Net Position**  
(In thousands)

	<b>December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual charges to connectors	\$ 124,516	\$ 120,015	\$ 114,847
Septic charge revenue	95	568	580
Other operating revenue	2,563	320	296
Total operating revenue	127,174	120,903	115,723
Investment revenue (loss)	111	3,021	4,598
Intergovernmental revenue	3,364	3,352	3,350
Total revenue	130,649	127,276	123,671
Operations and maintenance expenses	34,592	31,550	29,464
Technical management and support	14,700	13,964	12,403
Administrative and general	18,561	17,451	15,629
Depreciation and amortization	35,770	32,037	27,372
Total operating expenses	103,623	95,002	84,868
Interest expense	15,210	12,743	11,885
Other	2,495	1,417	(2,130)
Total nonoperating expenses	17,705	14,160	9,755
Total expenses	121,328	109,162	94,623
Changes in net position before other revenues	9,321	18,114	29,048
Sewer connection fees	54,065	45,098	34,640
Changes in net position	63,386	63,212	63,688
Beginning net position	727,316	664,104	600,416
Ending net position	\$ 790,702	\$ 727,316	\$ 664,104

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2016 and 2015  
(Unaudited)

While the summary of net position (Table A-1) shows the change in financial position, the summary of revenue, expenses, and changes in net position (Table A-2) provides answers as to the nature and source of these changes. As can be seen in Table A-2, total revenue for 2016 including sewer connection fees increased by approximately \$12.3 million or 7.2%, and expenses increased by approximately \$12.2 million or 11.1% from 2015. The major factors that drove these results and other changes during 2016 include:

- Operating revenue increased by \$6.3 million in 2016 primarily due to a 3.8% increase in annual charges for service rates to connectors.
- Sewer connection fees increased approximately \$9.0 million in 2016 primarily due to an increase in number of Single Family Residential Equivalents.
- Investment revenue decreased by \$2.9 million in 2016, primarily due to both realized and unrealized gains on investments.
- The \$12.2 million increase in total expenses included an increase of \$8.6 million in operating costs, which includes an increase of \$3.7 million in depreciation expense, an increase of \$2.5 million in interest costs and an increase of \$1.1 million in other expense comprised primarily of \$3.1 million of small projects transferred to expense, offset by a \$.3 million gain on sale of assets primarily due to the trade-in values of fleet vehicle replacement.

In Table A-2, total revenue for 2015 including sewer connection fees increased by approximately \$14.1 million or 8.9%, and expenses increased by approximately \$14.5 million or 15.4% from 2014. The major factors that drove these results and other changes during 2015 include:

- Operating revenue increased by \$5.2 million in 2015 primarily due to a 4.5% increase in annual charges for service rates to connectors.
- Sewer connection fees increased approximately \$10.5 million in 2015 primarily due to an increase in number of Single Family Residential Equivalents.
- Investment revenue decreased by \$1.6 million in 2015, primarily due to both realized and unrealized gains on investments.
- The \$14.5 million increase in total expenses included an increase of \$5.5 million in operating costs, an increase of \$4.7 million in depreciation expense, an increase of \$.9 million in interest costs and an increase of \$3.5 million in other expense comprised primarily of \$1.4 million of small projects transferred to expense, and a \$.9 million loss on sale of assets primarily due to the removal of the pump station-process and demolition of the solids processing building as part of the South Secondary Improvement Project.

**Capital Assets and Debt Administration**

*Capital Assets*

As of December 31, 2016 and 2015, the District's investment in capital assets amounted to \$1,078.8 million and \$1,033.8 million, respectively (net of accumulated depreciation), as shown in the following Table A-3. The \$45.0 million increase in net capital assets in 2016 was primarily due to approximately \$81.4 million in additions to construction in progress for various ongoing wastewater and improvement and rehabilitation projects, offset by \$35.8 million of depreciation expense.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2016 and 2015  
(Unaudited)

The following projects incurred such costs for 2016: Northern Treatment Plant – \$29.6 million, South Headworks and Grease Processing Improvements – \$8.2 million, Interceptor Rehabilitation 2015 – \$6.1 million, South Secondary Improvements – \$6.0 million, HVAC Improvements – \$5.5 million, Sidestream Nutrient Removal – \$5.3 million, and Sludge Processing Building – \$4.1 million. The remaining increase of \$16.6 million to construction in progress was a result of other additions to numerous smaller projects.

The \$98.5 million increase in net capital assets in 2015 was primarily due to approximately \$130.5 million in additions to construction in progress for various ongoing wastewater and improvement and rehabilitation projects, offset by \$32.0 million of depreciation expense. The following projects incurred such costs for 2015: Northern Treatment Plant – \$98.5 million, South Secondary Improvements – \$14.0 million, Sidestream Nutrient Removal – \$2.9, South Headworks and Grease Processing Improvements – \$2.5 million, Interceptor Rehabilitation 2014 – \$2.1 million and Interceptor Rehabilitation 2015 – \$1.5 million. The remaining increase of \$9.0 million to construction in progress was a result of other additions to numerous smaller projects.

Construction-in-progress decreased by \$289.4 million in 2016. The \$81.4 million in additions to construction in progress in 2016 discussed above was offset by \$370.8 million in completed projects, such as the Northern Treatment Plant substantial completion and South Platte River Interceptor, the South Secondary Improvements additional costs, Interceptor Rehabilitation – 2015, and the Lift Stations Short-Term Replacement, which were transferred to plant and equipment. Construction-in-progress increased by \$17.1 million in 2015. The \$130.5 million in additions to construction in progress in 2015 discussed above was offset by \$113.4 million in completed projects, such as the Northern Treatment Plant components: visitor center, support building and South Platte River Interceptor, the South Secondary Improvements Milestone I additional costs, Interceptor Rehabilitation – 2014, and the Sand Creek Bank Erosion, which were transferred to plant and equipment.

The increase in capital assets in 2016 and 2015 was offset by capital asset disposals of \$1.9 million and \$13.3 million, respectively.

**Table A-3  
Capital Assets  
(In thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land, land improvements and water rights	\$ 42,217	\$ 42,137	\$ 42,028
Plant in service	877,013	667,260	565,443
Vehicles and equipment	539,529	381,001	381,633
Construction in progress	<u>48,677</u>	<u>338,122</u>	<u>321,021</u>
	1,507,436	1,428,520	1,310,125
Less accumulated depreciation	<u>(428,598)</u>	<u>(394,671)</u>	<u>(374,742)</u>
Net capital assets	<u>\$ 1,078,838</u>	<u>\$ 1,033,849</u>	<u>\$ 935,383</u>

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2016 and 2015  
(Unaudited)

At December 31, 2016, the District had future construction commitments for capital projects totaling \$109.6 million. The largest project representing 51.6% of this total is the South Headworks and Grease Processing Improvements, with remaining costs of \$56.5 million.

***Debt Administration***

At December 31, 2016 and 2015, the District's long-term debt consisted of approximately \$618.8 and \$642.5 in bonds payable, respectively. The District's underlying bond ratings are as follows:

<u>Moody's Investors Services</u>	<u>Standard &amp; Poor's</u>
Aa1	AAA

Additional information on the District's capital assets and long-term debt can be found in notes 4, 5, and 6 to the financial statements.

**Next Year's Budgets and Rates**

The District approved a \$74.5 million 2017 Operation and Maintenance Budget, an increase of \$3.6 million from 2016. The increase is primarily wage and benefit inflation, increased chemical usage, increased power usage, and increased outside services. The District also approved Annual Charges for Service totaling \$127.0 million, a 2.0% increase from 2016. Annual Charges for Services are the annual user fees that District Connectors pay for the treatment of their wastewater and are allocated to individual connectors based on the relative amount and strength of their wastewater. Annual rates are set each year to cover the annual requirements of operating expenses, debt service, capital project expenditures, and fund balances.

The District's Capital Projects Budget for 2017 totals \$119.2 million, an increase of \$24.1 million from the 2016 Capital Projects Budget of \$95.1 million. These projects include rehabilitation, growth, and improvement projects in the District system.

**Requests for Information**

This financial report is designed to provide a general overview of the Metro Wastewater Reclamation District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the attention of Molly Kostelecky, Finance and Accounting Officer, Metro Wastewater Reclamation District, 6450 York Street, Denver, CO 80229 or [www.metrowastewater.com](http://www.metrowastewater.com).

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Net Position

December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Current assets:		
Cash and cash equivalents	\$ 27,529,585	\$ 51,668,961
Investments	19,609,060	10,935,475
Accounts receivable	15,879,666	13,824,651
Due from other governments	840,396	841,298
Accrued interest receivable	1,058,375	1,173,167
Materials and supplies inventories, net of loss reserve of \$250,000 and \$250,000	5,553,432	5,548,633
Prepaid expenses and other	1,072,582	386,088
	71,543,096	84,378,273
Restricted:		
Cash and cash equivalents	19,271,354	38,299,594
Investments	10,096,374	2,466,883
	29,367,728	40,766,477
Total current assets	100,910,824	125,144,750
Noncurrent assets:		
Investments	286,774,897	249,877,230
Nondepreciable capital assets:		
Land and water rights	42,217,020	42,137,510
Construction in progress	48,677,205	338,121,960
	90,894,225	380,259,470
Depreciable capital assets, net:		
Plant in service	632,497,956	439,334,463
Equipment and vehicles	355,445,967	214,255,074
	1,078,838,148	1,033,849,007
Restricted:		
Investments	7,472,520	33,222,160
	1,373,085,565	1,316,948,397
Total noncurrent assets	1,373,085,565	1,316,948,397
Total assets	1,473,996,389	1,442,093,147
Deferred outflows of resources:		
Change in investment earnings and assumptions	7,670,066	9,217,897
	7,670,066	9,217,897

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Net Position

December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Current liabilities:		
Accounts payable	17,284,838	26,087,472
Accrued payroll	828,690	608,479
Compensated absences	99,028	202,091
Unearned revenue	1,826,640	2,645,640
	20,039,196	29,543,682
Payable from restricted assets:		
Accrued interest payable	6,824,450	7,080,325
Bonds payable	22,370,000	21,620,000
Total current liabilities	49,233,646	58,244,007
Noncurrent liabilities:		
Compensated absences	2,142,988	1,984,766
Bonds payable	596,416,211	620,922,876
Net pension liability	37,833,067	37,592,610
Other accrued liabilities	4,501,937	4,038,409
Total noncurrent liabilities	640,894,203	664,538,661
Total liabilities	690,127,849	722,782,668
Deferred inflows of resources:		
Difference in experience versus expected	836,738	1,212,590
Net position:		
Net investment in capital assets	460,051,937	429,463,120
Restricted – bonds	30,015,798	28,751,323
Unrestricted	300,634,133	269,101,343
Total net position	\$ 790,701,868	\$ 727,315,786

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Revenue, Expenses, and Changes in Net Position

Years ended December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Operating revenue:		
Annual charges to connectors	\$ 124,516,013	\$ 120,015,434
Septic charge revenue	95,308	567,807
Other operating revenue	2,562,771	319,877
Total operating revenue	127,174,092	120,903,118
Operating expenses:		
Operations and maintenance:		
Wastewater transmission	1,727,967	1,769,041
Wastewater treatment	16,961,517	15,071,499
Solids processing	7,690,712	7,965,783
Solids recycling	8,211,750	6,743,753
	34,591,946	31,550,076
Technical management and support:		
Engineering services	2,156,632	2,430,194
Laboratory services	5,082,336	4,417,412
Support operation and maintenance	7,460,951	7,116,253
	14,699,919	13,963,859
Administrative and general	18,560,772	17,450,740
Depreciation and amortization expense	35,770,105	32,037,033
Total operating expenses	103,622,742	95,001,708
Operating income	23,551,350	25,901,410
Nonoperating revenues (expenses):		
Investment revenue	110,946	3,020,955
Interest expense	(15,210,068)	(12,743,455)
Intergovernmental revenue	3,364,291	3,351,653
Studies expense	(3,133,221)	(1,507,430)
Other revenue	265,203	302,907
Grant revenue - Federal and State	—	57,061
Insurance proceeds	250,000	—
Other revenue (expense)	122,823	(269,323)
Net nonoperating revenue (expense)	(14,230,026)	(7,787,632)
Income before capital contributions	9,321,324	18,113,778
Capital contributions – sewer connection fees	54,064,758	45,098,049
Increase in net position	63,386,082	63,211,827
Net position, beginning of year	727,315,786	664,103,959
Net position, end of year	\$ 790,701,868	\$ 727,315,786

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Cash received from customers	\$ 126,410,358	\$ 123,455,322
Cash payments to employees	(39,138,718)	(38,320,924)
Cash payments to suppliers for goods and services	(33,878,085)	(28,861,581)
Other receipts	590,095	1,331,696
Net cash provided by operating activities	53,983,650	57,604,513
Cash flows from capital and related financing activities:		
Sewer connection fees	51,969,488	41,127,523
Acquisition and construction of capital assets	(76,393,911)	(115,086,690)
Principal paid on capital debt	(21,620,000)	(12,005,000)
Interest paid on capital debt	(27,809,549)	(28,571,424)
Intergovernmental revenue received	3,365,193	3,347,140
Federal and State grant revenue received	—	57,061
Proceeds received from insurance reimbursements	250,000	—
Proceeds from sale of capital assets	327,889	204,870
Net cash (used in) capital and related financing activities	(69,910,890)	(110,926,520)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	146,438,764	2,045,184,202
Purchase of investments	(176,472,703)	(1,995,282,120)
Interest and dividends received	2,793,563	2,741,551
Net cash provided by (used in) investing activities	(27,240,376)	52,643,633
Net increase (decrease) in cash and cash equivalents	(43,167,616)	(678,374)
Cash and cash equivalents, beginning of year	89,968,555	90,646,929
Cash and cash equivalents, end of year	\$ 46,800,939	\$ 89,968,555
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 23,551,350	\$ 25,901,409
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	35,770,105	32,037,033
Decrease (increase) in accounts receivable	54,236	(103,124)
Decrease (increase) in inventory	(4,799)	(592,561)
Decrease (increase) in prepaid expenses and other	(686,494)	409,701
Decrease (increase) in deferred outflows	1,547,831	(9,208,483)
Increase (decrease) in accounts payable and other accrued liabilities	713,323	399,565
Increase (decrease) in accrued payroll and compensated absences	275,370	425,363
Increase (decrease) in unearned revenue	(819,000)	2,645,640
Increase (decrease) in net pension liability	240,457	9,633,908
Increase (decrease) in deferred inflows	(375,852)	(262,399)
Capitalized wages	(3,258,460)	(3,186,079)
Other (disbursements) receipts	(3,024,417)	(495,460)
Net cash provided by operating activities	\$ 53,983,650	\$ 57,604,513
Noncash investing, capital, and financing activities:		
Unrealized (gain) loss on investments	\$ 2,582,836	\$ (30,654)
Amortization of bond premium	(2,136,665)	(2,136,665)
Amortization of deferred inflows/outflows of pension liability (GASB No. 68)	2,348,552	2,047,567
(Gain)/loss on retirement of capital assets	(280,252)	968,698

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Pension Trust Fund

Statements of Fiduciary Net Position

December 31, 2016 and 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Investments, at fair value:		
Equity securities funds	\$ 48,228,872	\$ 43,846,895
Real estate funds	16,560,253	16,507,393
Fixed Income	11,336,906	10,462,413
Hedge funds	5,258,465	5,092,980
Private equity/venture capital	1,014,251	285,003
Short-term investments	644,581	555,154
Total assets	<u>83,043,328</u>	<u>76,749,838</u>
<b>Liability</b>		
Accrued administrative expenses	<u>38,202</u>	<u>45,608</u>
<b>Net Position</b>		
Restricted for pension benefits	<u>\$ 83,005,126</u>	<u>\$ 76,704,230</u>

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Pension Trust Fund

Statements of Changes in Fiduciary Net Position

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Additions:		
Investment income:		
Net appreciation (depreciation) in fair value of investments	\$ 5,017,816	\$ (1,349,608)
Interest and dividend income	1,660,933	1,430,646
Less investment expense	<u>(378,630)</u>	<u>(326,008)</u>
Net investment income (loss)	6,300,119	(244,970)
Contributions from employer	4,228,249	4,722,308
Contributions from employees	<u>1,636,552</u>	<u>1,631,561</u>
Total additions	<u>12,164,920</u>	<u>6,108,899</u>
Deductions:		
Benefit payments	5,817,753	5,757,870
Administrative expenses	<u>46,271</u>	<u>62,749</u>
Total deductions	<u>5,864,024</u>	<u>5,820,619</u>
Net increase in plan position	6,300,896	288,280
Net position restricted for pension benefits:		
Beginning of year	<u>76,704,230</u>	<u>76,415,950</u>
End of year	<u>\$ 83,005,126</u>	<u>\$ 76,704,230</u>

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2016 and 2015

**(1) Organization**

**(a) Organization**

The Metro Wastewater Reclamation District (the District) was created in May 1961 pursuant to the Colorado Revised Statutes and is a governmental subdivision of the State of Colorado, with powers specifically granted and reasonably implied therefrom and necessary to carry out the objectives and purposes of the District. The District's facilities are used primarily to transport and treat sewage from the sewer systems of various connectors in the greater metropolitan Denver area.

The income generated by the District, as an instrumentality of the State of Colorado, is excluded from federal income taxes under Section 115 of the Internal Revenue Code. In addition, pursuant to the provisions of the Colorado Revised Statutes, the District is exempt from sales, property, and state income taxes.

**(b) Financial Reporting Entity**

The District is not a component unit of the State of Colorado or any other municipality of the State of Colorado. It is a stand-alone governmental entity. The scope of the District's public services encompasses only a limited portion of the State of Colorado. Accordingly, it is considered an enterprise under Section 20, Article X of the Colorado Constitution.

The Metro Wastewater Reclamation District Defined Benefit Plan (the Defined Benefit Plan) is a single-employer, defined benefit plan covering all employees of the District hired on or before December 31, 2012 (note 7). The District contributes to the Defined Benefit Plan based upon actuarial studies and has primary responsibility for management of the Defined Benefit Plan as all Retirement Plan Board members are appointed by the District's Board of Directors. The District also provides all accounting, reporting, and administrative services to the Defined Benefit Plan. The District has fiduciary responsibility for the Defined Benefit Plan. Accordingly, an evaluation of the Defined Benefit Plan using the above considerations results in the inclusion of the Defined Benefit Plan in the accompanying basic financial statements as a fiduciary fund of the District. Complete financial statements of the Defined Benefit Plan may be obtained from the District.

**(c) Fund Accounting**

The accounts of the District are organized into two separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The financial activity of the District is accounted for in two funds:

*Enterprise Fund* – The Enterprise Fund is used to account for any activity for which a fee is charged to external users for goods or services.

*Pension Trust* – The Pension Trust Fund for the Defined Benefit Plan is maintained to account for assets held by the District in a trustee capacity for retired employees.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2016 and 2015

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Enterprise and Pension Trust funds, for financial reporting purposes, are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

**(b) Restricted Assets**

Separate accounts are provided in accordance with bond resolutions and utilized to segregate restricted assets from unrestricted assets. Related liabilities, payable from these restricted assets, are also segregated and utilized in determining financial position.

**(c) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**(d) Capital Assets**

The District records its plant and equipment at cost, or estimated historical cost, if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Assets are capitalized when they are greater than \$10,000 and have a service life greater than one year. Depreciation on facilities and equipment is charged as an expense against operations. Depreciation has been computed using the straight-line method over the following estimated useful lives:

	<b>Estimated useful life in years</b>
Plant in service:	
Transmission	10 – 50
Treatment	8 – 50
Solids processing	5 – 50
Solids recycling	5 – 50
Support	5 – 50
Equipment and vehicles:	
Plant	10 – 50
Support	3 – 50
Vehicles	5 – 20

Expenditures for repairs and maintenance are expensed as incurred. Major renewals, replacements, and betterments are capitalized. Upon retirement or disposition, the cost and accumulated depreciation of such assets are removed from the accounts, and the resulting gain or loss is included in the change in net position.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2016 and 2015

Major outlays for utility plant and equipment are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds for tax-exempt bonds, when applicable, over the same period. During the years ended December 31, 2016 and 2015, the District capitalized \$10,206,941 and \$13,566,242 in interest costs, respectively.

**(e) Investments**

The District's investments are carried at fair value based upon market quotations. The Defined Benefit Plan's investments are also carried at fair value based upon market quotations, with the exception of real estate investments. These investment valuations are based upon an independent, third-party appraisal of each property. These appraisals are based upon a portfolio overview and updated cash flow modeling.

**(f) Materials and Supplies Inventories**

The District records its materials and supplies inventories at the lower of moving average cost or market. The inventory is charged to operations and maintenance expense as the items are used. As of December 31, 2016 and 2015, the District had loss reserves of \$250,000 and \$250,000, respectively, for obsolete materials and supplies.

**(g) Deferred Outflows of Resources and Deferred Inflows of Resources**

Changes in the components of the net pension liability are reported as a deferred outflow of resources or a deferred inflow of resources. The changes in the components of the net pension liability reported by the Defined Benefit Plan have resulted in deferred outflows of resources of \$7,670,066 and \$9,217,897 and deferred inflows of resources of \$836,738 and \$1,212,950 for December 31, 2016 and December 31, 2015, respectively. See Note 7 for additional information.

**(h) Net Position**

Net position is classified as follows:

*Net Investment in capital assets* – This represents the total investment in capital assets, net of accumulated depreciation and outstanding debt obligations (less unspent bond proceeds) related to those capital assets.

*Restricted net position* – Restricted net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by debt agreements.

*Unrestricted net position* – Unrestricted net position represents resources derived from annual charges to connectors, septic charge revenue, and other revenues. These resources are used for transactions relating to the operations of the District and may be used to meet current expenses for any purposes. Unrestricted net position may be designated by actions of the Board of Directors.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are considered expended.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2016 and 2015

**(i) Classification of Revenues and Expenses**

The District has classified revenues and expenses as operating, nonoperating, or capital contributions according to the following criteria:

*Operating revenue and expenses* – Revenue and expenses that result from providing wholesale wastewater transmission, treatment, and disposal services to 50 connectors, including cities, towns, special districts, and industrial users.

*Nonoperating revenue and expenses* – Revenues and expenses that are not included as operating revenues. Nonoperating revenue includes investment income and rebates from the Build America Bonds program. Nonoperating expenses include interest expense on outstanding bonds and other nonoperating expenses.

*Capital contributions* – Revenues that include sewer connection fees.

**(j) Sewer Connection Fees**

The District charges fees for new sewer connections. Sewer connection fee receipts are used for payment of principal and interest on bonds issued to finance capacity-related facility improvements and to otherwise pay for such facilities.

**(k) Compensated Absences**

District employees earn sick leave at a rate of eight hours per month. Accumulated sick leave in excess of 960 hours is payable at one-half of the cash value at year-end or upon termination.

Employees are entitled to 10 to 21 days of vacation leave per year depending on their length of service. A maximum of 200 hours of earned vacation leave may be carried forward to subsequent years. Unused vacation leave is paid to the employee upon termination.

Vacation and excess sick pay is recorded as an expense when earned by District employees. At December 31, 2016 and 2015, accrued vacation and excess sick pay aggregated \$2,242,016 and \$2,186,857, respectively.

**(l) Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

**(m) New Accounting Pronouncements**

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72), effective for the fiscal year ended December 31, 2016. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. See Note 3(j) for additional details.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2016 and 2015

**(3) Cash and Investments**

As of December 31, 2016 and 2015, the District and the Defined Benefit Plan had the following cash and investments:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
District (excluding the Defined Benefit Plan):		
Cash and cash equivalents		
Deposits	\$ 105,369	\$ 2,809,498
Money market funds	41,707,020	87,159,057
Commercial paper, less than 90 days	4,988,550	—
Investments		
U.S. Agency securities, including mortgage-backed securities	321,116,567	295,166,194
Certificates of Deposit	2,836,284	1,335,554
	\$ 370,753,790	\$ 386,470,303
Defined Benefit Plan:		
Equity securities funds	\$ 48,228,872	\$ 43,846,895
Real estate funds	16,560,253	16,507,393
Fixed Income	11,336,906	10,462,413
Hedge funds	5,258,465	5,092,980
Private equity/venture capital	1,014,251	285,003
Money market funds	644,581	555,154
	\$ 83,043,328	\$ 76,749,838

**(a) Cash Deposits**

Colorado statutes require that the District use eligible public depositories as defined by the Public Deposit Protection Act (PDPA). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

**(b) Restricted Cash and Cash Equivalents, and Investments**

Restricted cash and cash equivalents and investments are restricted for the current payment of principal and interest on outstanding bonds as required by debt covenants. In addition, restricted cash and cash equivalents and investments include \$0 and \$38,157,000 in unspent bond proceeds as of December 31, 2016 and December 31, 2015, respectively.

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**(c) Investment Policy**

The District is authorized by Colorado Statute to invest in various types of instruments that include but are not limited to the following:

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Written repurchase agreements collateralized by certain authorized securities
- Commercial paper
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain reverse repurchase agreements
- Certain certificates of participation
- Certain securities lending transactions

The District, excluding the Defined Benefit Plan, has an investment policy that regulates investments in securities that have objectives of safety of principal, liquidity with all investments in U.S. dollars, and investment returns optimized within the constraints of safety and liquidity. Eligible securities are specific to Colorado State Statutes and the District's bond indenture agreements. The indenture agreements limit the number of U.S. Agency issuers to three creating a concentration of credit risk, but each security in the investment portfolio is rated AAA or AA+. All securities owned by the District are in conformity with the investment policy.

The Defined Benefit Plan has an investment policy that regulates investments by hiring a qualified investment consultant to oversee qualified investment management firms who manage the assets of the Defined Benefit Plan. The investment policy establishes an asset allocation strategy, investment objectives, and investment guidelines for all assets. The asset allocation strategy is designed to be consistent with the safety and return objectives of the Defined Benefit Plan and includes allowable domestic and foreign equity, fixed income, and real estate investments. All securities and investments owned by the Defined Benefit Plan are in conformity with the investment policy.

The Defined Benefit Plan's allowable investments in equities, fixed income, and real estate are limited to qualified investment managers.

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The Defined Benefit Plan's policy in regard to the allocation of invested assets is established and may be amended by the Metro Wastewater Reclamation District Retirement Board by a majority vote of its members. The investment policy calls for cash reserves to be held in money market funds in the Plan's operating account at the Trustee bank at a level based on the liquidity needs as determined by the Metro District finance staff. The following was the Retirement Board's asset allocation policy as of December 31, 2016.

<u>Target Allocation</u>	<u>Target Allocation</u>	<u>Target Range</u>
Domestic Equity	35.0%	30%-45%
International Equity	20.0%	15%-25%
Fixed Income	14.0%	10%-20%
Hedge Funds	6.0%	3%-9%
Private Equity/Venture Capital	5.0%	0%-5%
Real Estate	20.0%	15%-25%
	100.0%	

**(d) Credit Risk**

The District manages credit risk by requiring all investments, including the use of external investment pools and money market funds, be AAA, AAA-G, AAAm or AA+, and including commercial paper, be P-1 or A-1 rated by nationally recognized rating agencies. All fixed income securities, money market funds, and commercial paper held by the District meet the credit quality objective.

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The following is a summary of the Defined Benefit Plan's fixed income investments at December 31, 2016 and December 31, 2015 with average credit ratings of underlying investments based on Standard & Poor's rating scale:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Pacific Investment Management Company (PIMCO):		
Total return retirement fund – institutional class shares:		
Fair value	\$ 3,053	\$ 2,711,432
Average rating of underlying investments	AA-	AA-
Western Asset Management		
Core Plus Bond Fund IS		
Fair value	\$ 3,004,259	\$ —
Average rating	Not rated	N/A
JP Morgan		
Core Bond Fund		
Fair value	\$ 3,879,752	\$ 3,862,311
Average rating	Not rated	Not rated
Bain (formally Sankaty)		
Senior Loan Fund		
Fair value	\$ 4,449,842	\$ 3,888,670
Average rating	AAAm	AAAm
First American Money Market		
Government Obligations Fund		
Fair value	\$ 644,581	\$ 555,154
Average rating	AAAm	AAAm

**(e) Custodial Credit Risk**

The District has no custodial credit risk. All securities are registered in the name of the District and held by a third-party safekeeping agent. Investments in money market mutual funds are not exposed to custodial risk because their existence is not evidenced by securities that exist in physical or book entry form.

The Defined Benefit Plan has no custodial credit risk. All securities are registered in the name of US Bank as the directed Trustee for the Defined Benefit Plan and held by third-party safekeeping agents. Investments in money market mutual funds are not exposed to custodial risk because their existence is not evidenced by securities that exist in physical or book entry form.

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**(f) Concentration of Credit Risk**

The District has a concentration of credit risk where it holds more than 5% of its investment portfolio in any one security issuer, other than those explicitly guaranteed by the U.S. government. The District investment policy and bond indenture agreements restrict investments in U.S. Agency issuers to the three listed below:

	<u>Moody's Investor Service</u>	<u>Standard &amp; Poor's</u>
Federal Home Loan Bank (FHLB)	AAA Rated	AA+ Rated
Federal Home Loan Mortgage Corp (FHLMC)	AAA Rated	AA+ Rated
Federal National Mortgage Association (FNMA)	AAA Rated	AA+ Rated

As a result, each issuer represents more than 5% of the total investments, and all securities are AAA or AA+ as rated by nationally recognized rating agencies. The following U.S. Agency securities are in excess of 5% of total investments:

<u>Issuer</u>	<u>December 31,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>Percentage of portfolio</u>	<u>Amount</u>	<u>Percentage of portfolio</u>
FHLB	\$ 90,614,355	24.49%	\$ 119,961,068	30.48%
FHLMC	158,975,976	42.85	109,228,204	29.90
FNMA	<u>71,526,236</u>	19.30	<u>65,976,922</u>	16.55
	<u>\$ 321,116,567</u>		<u>\$ 295,166,194</u>	

A concentration of credit risk exists for the Defined Benefit Plan if it holds more than 5% of its investment portfolio in any one security issuer, other than those explicitly guaranteed by the U.S. government. Mutual funds, external investment pools, and other pooled investments are also excluded from this requirement. The Defined Benefit plan had no concentration of credit risk as of December 31, 2016.

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**(g) Interest Rate Risk**

The District has no formal policy to manage interest rate risk. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. The District uses duration as the method to identify and manage interest rate risk. Duration measures exposure to fair value changes arising from changing interest rates. Duration uses the present value of cash flows weighted for those cash flows as a percentage of the full price of the investments. A large duration indicates more price sensitivity to changing interest rates. Each security purchased has a duration analysis, and the entire portfolio has a duration calculation weighted based on the size of each investment. As of December 31, 2016 and 2015, the duration for the District's investments was as follows:

Type	December 31, 2016		
	Fair value	Duration in Years	Call options at 100
U.S. Agency securities	\$ 319,959,872	3.16	\$ 221,052,617
Mortgage-backed securities	1,156,695	2.15	
Commercial Paper, less than 90 days	4,988,550	—	
Certificates of Deposit	2,836,284	—	
Total fair value	\$ 328,941,401		

Type	December 31, 2015		
	Fair value	Duration in Years	Call options at 100
U.S. Agency securities	\$ 292,934,622	1.84	\$ 251,745,110
Mortgage-backed securities	2,231,572	1.66	
Certificates of Deposit	1,335,554	—	
Total fair value	\$ 296,501,748		

Investments in money market funds of \$41,707,020 and \$87,159,057 as of December 31, 2016 and 2015, respectively, have a weighted average maturity of less than 30 days.

The Defined Benefit Plan's investment policy manages its exposure to fair value losses arising from rising interest rates by specific guidelines for fixed income managers. As of December 31, 2016 and 2015, the Defined Benefit Plan held the following fixed income investments. Modified duration is in years.

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	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
PIMCO:		
Total return retirement fund –		
Institutional class shares:		
Balance	\$ 3,053	\$ 2,711,432
Modified duration	5.6	4.6
Western Asset Management		
Core Plus Bond Fund IS		
Balance	\$ 3,004,259	\$ —
Modified duration (in years)	6.6	N/A
JP Morgan		
Core bond Fund		
Balance	\$ 3,879,752	\$ 3,862,311
Modified duration (in years)	5.4	5.0
Bain (formally Sankaty)		
Senior Loan Fund		
Balance	\$ 4,449,842	\$ 3,888,670
Modified duration (in years)	0.4	0.3

Investments in money market funds of \$644,581 and \$555,154 as of December 31, 2016 and 2015, respectively, have an average maturity of less than 50 and 27 days, for December 31, 2016 and 2015, respectively.

**(h) Foreign Currency Risk**

Neither the District nor the Defined Benefit Plan was exposed to foreign currency risk as of December 31, 2016 and 2015. The Defined Benefit Plan's policy manages exposure to foreign currency risk by limiting the allocation percentage of interest of international investments to 25%.

**(i) Investment Income**

Investment income for the District, excluding the Defined Benefit Plan, for the years ended December 31, 2016 and 2015 was comprised of the following:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Investment income	\$ 4,105,352	\$ 4,544,813
Net realized gain (loss) on investments	(1,411,570)	(1,554,512)
Net unrealized gain (loss) on investments	(2,582,836)	30,654
<b>Total</b>	<b>\$ 110,946</b>	<b>\$ 3,020,955</b>

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Investment income for the Defined Benefit Plan for the years ended December 31, 2016 and 2015 was comprised of the following:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Interest and dividend income	\$ 1,660,933	\$ 1,430,646
Net realized gain on investments	3,908,607	5,177,813
Net unrealized gain (loss) on investments	1,109,209	(6,527,421)
	6,678,749	81,038
Less investment expense	(378,630)	(326,008)
Net investment income	\$ 6,300,119	\$ (244,970)

The calculation of realized gains is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

**(j) Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of December 31, 2016 and 2015:

For December 31, 2016:

Investments Measured at Fair Value

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets 12/31/2016 (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Agency securities	\$ 319,959,872	\$ 319,959,872	\$ -	\$ -
Commercial paper, less than 90 days	4,988,550	-	4,988,550	-
Mortgage-backed securities	1,156,695	-	1,156,695	-
Certificates of deposit	2,836,284	-	2,836,284	-
Total investments measured at fair value level	328,941,401	319,959,872	8,981,529	-
Investments held at amortized cost				
Money market funds	41,707,020			
Total investment held at amortized cost	41,707,020			
Total investments measured at fair value	\$ 370,648,421			

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December 31, 2016 and 2015

For December 31, 2015:

Investments Measured at Fair Value

	12/31/2015	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Agency securities	\$ 292,934,622	\$ 292,934,622	\$ -	\$ -
Mortgag-backed securities	2,231,572	-	2,231,572	-
Certificates of deposit	1,335,554	-	1,335,554	-
Total investments measured at fair value level	<u>296,501,748</u>	<u>292,934,622</u>	<u>3,567,126</u>	<u>-</u>
Investments measured at amortized cost				
Money market funds	<u>87,159,057</u>			
Total investment measured at amortized cost	<u>87,159,057</u>			
Total investments measured at fair value	<u>\$ 383,660,805</u>			

For investments categorized as Level 1, prices are determined using quoted prides in active markets for identical securities. For investments categorized as Level 2, prices are determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use by pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted market prices for similar assets, quoted prices for identical or similar assets in markets that are not active or other quoted prices that are not observable. For investments categorized as Level 3, prices are determined using inputs that are unobservable, of which the District has none for the years ended December 31, 2016 and 2015.

The Defined Benefit Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Defined Benefit Plan has the following recurring fair value measurements as of December 31, 2016 and 2015:

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For December 31, 2016:

Investments Measured at Fair Value

	12/31/2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Domestic equity	\$ 27,901,749	\$ 4,893,238	\$ 23,008,511	\$ -
International equity	16,076,561	99,606	15,976,955	-
Fixed income	6,887,064	-	6,887,064	-
Real estate	4,055,538	-	4,055,538	-
Total investments measured at fair value level	<u>54,920,912</u>	<u>4,992,844</u>	<u>49,928,068</u>	<u>-</u>
Investments measured at the net asset value (NAV)				
Domestic equity funds	4,250,562			
International equity	-			
Fixed income funds	4,449,842			
Hedge funds	5,258,465			
Real estate funds	12,504,715			
Private equity funds	950,251			
Venture capital funds	64,000			
Total investment measured at the NAV	<u>27,477,835</u>			
Total investments measured at fair value	<u>82,398,747</u>			
Investments not measured at fair value				
Money market funds	<u>644,581</u>			
Total investments	<u>\$ 83,043,328</u>			

For investments categorized as Level 1, prices are determined using quoted prices in active markets for identical securities. For investments categorized as Level 2, prices are determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use by pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted market prices for similar assets, quoted prices for identical or similar assets in markets that are not active or other quoted prices that are not observable.

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

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Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Domestic equity funds (1)	\$ 4,250,562		daily	n/a
Fixed income funds (2)	4,449,842		monthly	30 days
Real estate funds (3)	12,504,715	\$ 4,000,000	daily based on liquidity, n/a	1 day, n/a
Hedge funds (4)	5,258,465		semi-annually	95 days
Private equity funds (5)	950,251	2,100,000	n/a	n/a
Venture capital funds (6)	64,000	1,536,000	n/a	n/a
	<u>\$ 27,477,835</u>			

- (a) The domestic equity fund invests primarily in US small- and mid-capitalization equities. The fund is commingled investment trust (CIT). The fund is open-ended with daily redemption.
- (b) The fixed income fund invests in actively managed investments in senior secured, floating rate assets and, to a limited degree, in secured bonds. The fund invests in a diversified portfolio of issuers in North America and Europe across a broad range of industries. Funds may be withdrawn monthly with 30 days written notice. The fund is open-ended.
- (c) This category includes two funds in which the Plan has invested, one of which has not made any capital calls as of December 31, 2016. One fund invests in a well-diversified real estate portfolio that reflects the overall performance of the U.S. commercial real estate market, consisting primarily of high quality, well-leased real estate properties in the multifamily, industrial, office, retail, and hotel sectors. The fund is open ended, and funds may be withdrawn daily subject to the availability of liquidity and the absence of a withdrawal queue with one day written notice. The Plan entered into an agreement on or around December 15, 2016 with Principal Real Estate Investors to fund a total capital commitment of \$4,000,000, none of which had been called as of December 31, 2016. The fund invests in higher yielding private commercial real estate debt investments, including subordinate debt investments, such as mezzanine debt and b-notes, and senior mortgages, such as bridge loans and participating construction permanent loans. Distributions of net cash flow to investors will be made on at least a quarterly basis, as available, and it is estimated that the underlying investments of the partnership would be liquidated over seven to 10 years.
- (d) The hedge fund invests in U.S. and non-U.S. investment partnerships and companies, managed funds, separately managed accounts, securities and commodities with the primary objective to provide strong downside protection qualities and to produce attractive long-term risk-adjusted returns. Funds may be withdrawn with 95 days on June 30 or December 31. The fund is open-ended.
- (e) The private equity fund's primary purpose of developing and actively managing an investment portfolio of private equity funds and other investment vehicles, principally by making, holding and disposing of privately negotiated investments in the form of limited partner interests and securities. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the partnership would be liquidated over 12 to 15 years.

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- (f) The venture capital fund invests predominantly in U.S. venture capital-focused funds on a primary and secondary basis. Partnership investments will include start-up, early-stage, late-stage and growth equity funds as well as secondary funds focusing on direct investments in venture-backed and/or technology companies. The fund may re-invest proceeds of portfolio investments; provided, however, that the acquisition costs of all portfolio investments will not exceed 110% of aggregate subscriptions. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the fund would be liquidated over 12 years.

For December 31, 2015:

Investments Measured at Fair Value

	Fair Value Measurement Using			
	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Domestic equity	\$ 25,503,160	\$ 2,706,305	\$ 22,796,855	\$ -
International equity	14,553,466	22,842	14,530,624	-
Fixed income	6,573,744	-	6,573,744	-
Real estate	7,349,579	-	7,349,579	-
Total investments measured at fair value level	<u>53,979,949</u>	<u>2,729,147</u>	<u>51,250,802</u>	<u>-</u>
Investments measured at the net asset value (NAV)				
Domestic equity funds	3,790,268			
Fixed income funds	3,888,670			
Hedge funds	5,092,980			
Real estate funds	9,157,814			
Private equity funds	285,003			
Total investment measured at the NAV	<u>22,214,735</u>			
Total investments measured at fair value	<u>76,194,684</u>			
Investments not measured at fair value				
Money market funds	<u>555,154</u>			
Total investments	<u>\$ 76,749,838</u>			

For investments categorized as Level 1, prices are determined using quoted prices in active markets for identical securities. For investments categorized as Level 2, prices are determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use by pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted market prices for similar assets, quoted prices for identical or similar assets in markets that are not active or other quoted prices that are not observable.

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

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Domestic equity funds (1)	\$ 3,790,268		daily	n/a
Fixed income funds (2)	3,888,670		monthly	30 days
Real estate funds (3)	9,157,814		daily based on liquidity	1 day
Hedge funds (4)	5,092,980		semi-annually	95 days
Private equity funds (5)	<u>285,003</u>	\$ 2,730,000	n/a	n/a
	<u>\$ 22,214,735</u>			

- (1) The domestic equity fund invests primarily in US small- and mid-capitalization equities. The fund is commingled investment trust (CIT). The fund is open-ended with daily redemption.
- (2) The fixed income fund invests in actively managed investments in senior secured, floating rate assets and, to a limited degree, in secured bonds. The fund invests in a diversified portfolio of issuers in North America and Europe across a broad range of industries. Funds may be withdrawn monthly with 30 days written notice. The fund is open-ended.
- (3) The real estate fund invests in a well-diversified real estate portfolio that reflects the overall performance of the U.S. commercial real estate market, consisting primarily of high quality, well-leased real estate properties in the multifamily, industrial, office, retail, and hotel sectors. The fund is open ended, and funds may be withdrawn daily subject to the availability of liquidity and the absence of a withdrawal queue with one day written notice.
- (4) The hedge fund invests in U.S. and non-U.S. investment partnerships and companies, managed funds, separately managed accounts, securities and commodities with the primary objective to provide strong downside protection qualities and to produce attractive long-term risk-adjusted returns. Funds may be withdrawn with 95 days on June 30 or December 31. The fund is open-ended.
- (5) The private equity fund's primary purpose of developing and actively managing an investment portfolio of private equity funds and other investment vehicles, principally by making, holding and disposing of privately negotiated investments in the form of limited partner interests and securities. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the partnership would be liquidated over 12 to 15 years.

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**(4) Capital Assets**

For the years ended December 31, 2016 and 2015, changes in capital assets consisted of the following:

	Balance at December 31, 2014	Additions	Deletions or transfers	Balance at December 31, 2015	Additions	Deletions or transfers	Balance at December 31, 2016
<b>Nondepreciable:</b>							
Land and water rights	\$ 42,028,342	109,168	—	\$ 42,137,510	79,510	—	\$ 42,217,020
Construction in progress	321,020,606	130,623,246	(113,521,892)	338,121,960	81,483,296	(370,928,051)	48,677,205
Total nondepreciable net assets	<u>363,048,948</u>	<u>130,732,414</u>	<u>(113,521,892)</u>	<u>380,259,470</u>	<u>81,562,806</u>	<u>(370,928,051)</u>	<u>90,894,225</u>
<b>Depreciable:</b>							
<b>Plant in service:</b>							
Transmission	205,512,578	72,258,755	—	277,771,333	15,825,459	—	293,596,792
Treatment	237,512,363	4,938,292	(3,073,215)	239,377,440	14,284,366	—	253,661,806
Solids processing	41,376,356	280	(2,031,361)	39,345,275	56,276	—	39,401,551
Solids recycling	7,053,070	—	—	7,053,070	(25,725)	—	7,027,345
Support	73,988,550	31,341,577	(1,617,707)	103,712,420	179,613,334	—	283,325,754
	<u>565,442,917</u>	<u>108,538,904</u>	<u>(6,722,283)</u>	<u>667,259,538</u>	<u>209,753,710</u>	<u>—</u>	<u>877,013,248</u>
<b>Equipment:</b>							
Plant	307,699,944	2,580,724	(4,774,143)	305,506,525	156,489,238	(14,170)	461,981,593
Support	59,678,233	1,304,414	(931,487)	60,051,160	1,937,034	(731,528)	61,256,666
Vehicles	14,254,592	2,042,519	(854,201)	15,442,910	1,992,149	(1,144,231)	16,290,828
	<u>381,632,769</u>	<u>5,927,657</u>	<u>(6,559,831)</u>	<u>381,000,595</u>	<u>160,418,421</u>	<u>(1,889,929)</u>	<u>539,529,087</u>
Total depreciable capital assets	<u>947,075,686</u>	<u>114,466,561</u>	<u>(13,282,114)</u>	<u>1,048,260,133</u>	<u>370,172,131</u>	<u>(1,889,929)</u>	<u>1,416,542,335</u>
<b>Less accumulated depreciation:</b>							
<b>Plant in service:</b>							
Transmission	101,020,578	5,040,581	—	106,061,159	6,386,702	—	112,447,861
Treatment	50,531,729	5,059,214	(2,760,148)	52,830,795	5,140,832	—	57,971,627
Solids processing	23,182,017	553,461	(1,427,341)	22,308,137	800,336	—	23,108,473
Solids recycling	3,103,387	159,651	—	3,263,038	154,065	—	3,417,103
Support	42,230,790	2,799,167	(1,568,011)	43,461,946	4,108,282	—	47,570,228
	<u>220,068,501</u>	<u>13,612,074</u>	<u>(5,755,500)</u>	<u>227,925,075</u>	<u>16,590,217</u>	<u>—</u>	<u>244,515,292</u>
<b>Equipment:</b>							
Plant	111,901,012	13,183,466	(4,674,023)	120,410,455	14,229,885	(14,170)	134,626,170
Support	33,091,314	4,328,235	(893,450)	36,526,099	3,895,774	(716,146)	39,705,727
Vehicles	9,681,285	913,258	(785,576)	9,808,967	1,054,229	(1,111,973)	9,751,223
	<u>154,673,611</u>	<u>18,424,959</u>	<u>(6,353,049)</u>	<u>166,745,521</u>	<u>19,179,888</u>	<u>(1,842,289)</u>	<u>184,083,120</u>
Total accumulated depreciation	<u>374,742,112</u>	<u>32,037,033</u>	<u>(12,108,549)</u>	<u>394,670,596</u>	<u>35,770,105</u>	<u>(1,842,289)</u>	<u>428,598,412</u>
Total capital assets, net	<u>\$ 935,382,522</u>	<u>213,161,942</u>	<u>(114,695,457)</u>	<u>\$ 1,033,849,007</u>	<u>415,964,832</u>	<u>(370,975,691)</u>	<u>\$ 1,078,838,148</u>

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**(5) Long-Term Liabilities**

A summary of the changes in long-term liabilities for the year ended December 31, 2016 is as follows:

	<u>December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2016</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 642,542,876	\$ —	\$ (23,756,665)	\$ 618,786,211	\$ 22,370,000
Compensated absences	<u>2,186,857</u>	<u>648,146</u>	<u>(592,987)</u>	<u>2,242,016</u>	<u>99,028</u>
Total noncurrent liabilities	<u>\$ 644,729,733</u>	<u>\$ 648,146</u>	<u>\$ (24,349,652)</u>	<u>\$ 621,028,227</u>	<u>\$ 22,469,028</u>

A summary of the changes in long-term liabilities for the year ended December 31, 2015 is as follows:

	<u>December 31, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2015</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 656,684,541	\$ —	\$ (14,141,665)	\$ 642,542,876	\$ 21,620,000
Compensated absences	<u>1,941,744</u>	<u>566,324</u>	<u>(321,211)</u>	<u>2,186,857</u>	<u>202,091</u>
Total noncurrent liabilities	<u>\$ 658,626,285</u>	<u>\$ 566,324</u>	<u>\$ (14,462,876)</u>	<u>\$ 644,729,733</u>	<u>\$ 21,822,091</u>

**(6) Improvement and Refunding Bonds**

Total outstanding improvement bonds and refunding bonds are summarized below:

<u>Issue</u>	<u>Date issued</u>	<u>Amount issued</u>	<u>December 31,</u>	
			<u>2016</u>	<u>2015</u>
2009A Sewer Improvement Bonds	08/27/09	\$ 62,620,000	\$ 26,745,000	\$ 39,250,000
2009B Sewer Improvement Bonds	08/27/09	187,380,000	187,380,000	187,380,000
2012A Sewer Improvement Bonds	01/25/12	380,000,000	370,885,000	380,000,000
Plus premium on 2009A Bonds			986,424	1,775,564
Plus premium on 2012A Bonds			<u>32,789,787</u>	<u>34,137,312</u>
Total			<u>\$ 618,786,211</u>	<u>\$ 642,542,876</u>

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Principal and interest requirements on all outstanding bonds are summarized as follows at December 31, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 22,370,000	\$ 26,763,550	\$ 49,133,550
2018	23,160,000	25,675,300	48,835,300
2019	23,985,000	24,541,852	48,526,852
2020	24,670,000	23,344,327	48,014,327
2021	25,450,000	22,073,404	47,523,404
2022-2026	141,035,000	88,966,642	230,001,642
2027-2031	127,370,000	51,172,397	178,542,397
2032-2036	86,235,000	31,115,300	117,350,300
2037-2041	110,735,000	11,515,900	122,250,900
	<u>585,010,000</u>	<u>\$ 305,168,672</u>	<u>\$ 890,178,672</u>
Unamortized premiums	<u>33,776,211</u>		
	<u>\$ 618,786,211</u>		

All of the District's revenues are pledged toward the repayment of these bonds.

**(a) Series 2009A**

On August 27, 2009, the District issued \$62,620,000 of Series 2009A Sewer Improvement Bonds, bearing interest at 3.00% to 5.00%, for the purpose of financing construction of long-range capital improvement projects. The bonds are tax-exempt and due in annual installments of \$5,585,000 beginning in April 2013 to \$13,675,000 through April 1, 2018.

**(b) Series 2009B**

On August 27, 2009, the District issued \$187,380,000 of Series 2009B Sewer Improvement Bonds, bearing interest at 4.718% to 5.775%, for the purpose of financing construction of long-range capital improvement projects. The 2009B Bonds were issued as Direct Pay Build America Bonds. Build America Bonds were created as part of the American Recovery and Reinvestment Act of 2009 and are taxable bonds to the bond holder. The District receives a direct federal subsidy in the amount of 35 percent of the interest payment on the Build America Bonds. The District recorded \$3,364,291 and \$3,351,653 from the United States Treasury for the fiscal years ended December 31, 2016 and December 31, 2015 related to the federal subsidy received on these bonds. The bonds are due in annual installments of \$14,310,000 beginning in April 2019 to \$20,250,000 through April 1, 2029.

**(c) Series 2012A**

On January 25, 2012, the District issued \$380,000,000 of Series 2012A Sewer Improvement Bonds, bearing interest at 3.00% to 5.00%, for the purpose of financing construction of long-range capital improvement projects. The bonds are tax-exempt and due in annual installments of \$9,115,000 beginning in April 2016 to \$24,415,000 through April 1, 2041.

**(d) Bond Covenants**

There are certain covenants associated with the District's bonds. As of December 31, 2016 and 2015, the management of the District believes they are in substantive compliance with these requirements.

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**(7) Retirement Plans**

**(a) General**

The District offers two retirement plans to employees. Employees hired on or before December 31, 2012 are under the Defined Benefit Plan. Employees hired on or after January 1, 2013 are under the Defined Contribution Plan. Additional information on each plan follows below.

**(b) Defined Benefit Plan**

*Plan Description*

The Defined Benefit Plan is a single-employer, defined benefit pension plan covering all employees of the District hired on or before December 31, 2012. The Defined Benefit Plan is administered by a retirement board, which consists of seven members who are appointed by the Board of Directors of the District. The provisions of the Defined Benefit Plan give the District's Board of Directors the right and authority to establish and amend the contribution requirements and benefit provisions of the Defined Benefit Plan. The costs of administering the Defined Benefit Plan are paid from the Defined Benefit Plan's investment earnings.

*Benefits Provided*

The Defined Benefit Plan provides retirement, death, and disability benefits to Plan members and their beneficiaries. Participants are fully vested in Plan benefits after completion of five years of eligible service. Employees who terminate employment at age 65 generally receive the Normal Retirement Benefit, which is equal to 2% of their final average salary multiplied by the number of years of credited service. The final average salary is the average annual salary for the three highest consecutive years out of the participant's last 10 years of employment.

Employees who terminate employment after completing 10 years of service before the age of 65 are eligible for the Early Retirement Benefit, which is equal to the Normal Retirement Benefit reduced by 1/15th for each of the first 5 years and 1/30th for each additional year by which the payments precede the normal retirement age (age 65).

Employees who terminate employment after completing 10 years of service before age 65 and having the sum of age plus years of service equal to at least 80 are eligible for the Rule of 80 Benefit. The Rule of 80 Benefit is calculated in the same manner as the Normal Retirement Benefit.

Disability benefits are paid to participants who become totally and permanently disabled who meet the eligibility requirements for the Normal Retirement Benefit or the Early Retirement Benefit.

*Benefits Terms*

The standard method of paying benefits to participants is in monthly payments. The Plan also allows participants to elect a combination of a lump-sum distribution and monthly payments or certain other annuity options. The Board of Directors has elected occasionally, in the past, to make ad hoc postretirement increases for monthly payments to participants to adjust payments for the effect of inflation using the consumer pricing index. These ad hoc payments are at the discretion of the Board of Directors and are not required by the Plan.

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A description of the Defined Benefit Plan and the vesting and benefit provisions are included in the official plan document. Copies of this document as well as the Defined Benefit Plan's financial statements are available from the Human Resources Division of the District.

At December 31, 2016 and 2015, the following employees were covered by the benefit terms:

	<b>2016</b>	<b>2015</b>
Retirees and beneficiaries eligible to receive benefits as of December 31	186	166
Terminated employees entitled to, but not yet receiving, benefits	157	164
Active plan members	272	294
Total	615	624

**(c) Summary of Significant Accounting Policies**

**(i) Basis of Accounting**

The financial statements of the Defined Benefit Plan are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental accounting in accordance with the Governmental Accounting Standards Board (GASB). Investment income is recorded when earned. Expenses are recorded when liabilities are incurred. The District's contributions are recognized when due, and the District has made a formal commitment to provide the contribution. Employee contributions are recognized when due, as the contributions are withheld from the employee's paychecks. Benefits and refunds are recognized when due and payable in accordance with the terms of the Defined Benefit Plan.

**(ii) Contributions**

The District contributes such amounts as are deemed necessary on an actuarial basis under the entry age normal method to provide the Defined Benefit Plan with sufficient assets to meet the benefits to be paid to defined benefit plan participants. The fiscal year 2016 and 2015 actual employer contributions were \$4,228,249 and \$4,722,308, respectively, or 18.1% and 19.8%, respectively, of covered payroll. Employee contributions totaled \$1,636,552, or 7% of salary, and \$1,631,561, or 7% of salary, for the years ended December 31, 2016 and 2015, respectively.

**(iii) Valuation of Investments**

Investments, with the exception of real estate investments, are recorded at the fair value of the participation units in equity securities funds, bond funds, and short-term investment funds, based on the market value of the underlying securities included in the funds, or quoted market prices for mutual funds. Fair value of the real estate investments is based on independent, third-party appraisals of each property. These appraisals are based upon a portfolio overview, updated cash flow modeling, and other procedures. Purchases and sales of investments are recorded on a trade-date basis.

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Notes to Basic Financial Statements

December 31, 2016 and 2015

**(d) Net Pension Liability**

The District's net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**i) Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Changes in Net Pension Liability</b>			
Balances as of December 31, 2014	\$ 104,374,652	76,415,950	27,958,702
Changes for the year:			
Service cost	2,300,707		2,300,707
Interest on total pension liability	8,048,386		8,048,386
Effect of plan changes	—		—
Effect of economic/demographic gains or losses	(113,453)		(113,453)
Effect of assumptions changes or inputs	5,444,418		5,444,418
Benefit payments	(5,757,870)	(5,757,870)	—
Employer contributions		4,722,308	(4,722,308)
Member contributions		1,631,561	(1,631,561)
Net investment income		(244,970)	244,970
Administrative expenses		(62,749)	62,749
Balances as of December 31, 2015	<u>\$ 114,296,840</u>	<u>76,704,230</u>	<u>37,592,610</u>
Changes for the year:			
Service cost	2,118,343		2,118,343
Interest on total pension liability	8,516,917		8,516,917
Effect of plan changes	—		—
Effect of economic/demographic gains or losses	1,723,846		1,723,846
Effect of assumptions changes or inputs	—		—
Benefit payments	(5,817,753)	(5,817,753)	—
Employer contributions		4,228,249	(4,228,249)
Member contributions		1,636,552	(1,636,552)
Net investment income		6,300,119	(6,300,119)
Administrative expenses		(46,271)	46,271
Balances as of December 31, 2016	<u>\$ 120,838,193</u>	<u>83,005,126</u>	<u>37,833,067</u>

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Notes to Basic Financial Statements

December 31, 2016 and 2015

**ii) Actuarial assumptions**

The actuarial assumptions that determined the total pension liability as of December 31, 2016 and 2015 were based on the results of an actuarial experience study for the period 2010-2014:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Actuarial valuation date	January 1, 2017	January 1, 2016
Measurement date	December 31, 2016	December 31, 2015
Inflation	2.50%	2.50%
Salary increases, including inflation	Graded by age RP-2000 projected to 2023 for annuitants and 2031 for non- annuitants using Scale BB	Graded by age, productivity increases of 0.75% per year RP-2000 projected to 2023 for annuitants and 2031 for non- annuitants using Scale BB
Mortality rate	Entry Age Normal	Entry Age Normal
Actuarial cost method	7.50%	7.50%
Investment rate of return		

**iii) Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability of the District, calculated using the discount rate of 7.5%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

		<b>December 31, 2016</b>		
		<b>1% Decrease 6.5%</b>	<b>Current Discount Rate 7.5%</b>	<b>1% Increase 8.5%</b>
Net pension liability	\$	51,339,257	\$ 37,833,067	\$ 26,321,712

		<b>December 31, 2015</b>		
		<b>1% Decrease 6.5%</b>	<b>Current Discount Rate 7.5%</b>	<b>1% Increase 8.5%</b>
Net pension liability	\$	50,524,274	\$ 37,592,610	\$ 26,576,375

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Notes to Basic Financial Statements

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*iv) Long-term expected rate of return*

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2016. The long-term expected rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.0%	4.8%
International Equity	20.0%	6.3%
Fixed Income	14.0%	1.4%
Hedge Funds	6.0	2.0%
Private Equity	5.0%	8.8%
Real Estate	20.0%	3.8%

*v) Discount rate*

The discount rate used to measure the total pension liability was 7.5%. The projection of cash used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate that the District contribution 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.

*vi) Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions*

For the years ended December 31, 2016 and 2015, the District recognized pension expense of \$5,640,685 and \$4,885,334, respectively. At December 31, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>December 31, 2016</u>	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ (836,738)	\$ 1,313,406
Changes of assumptions	—	3,077,280
Net difference between projected and actual earnings	—	3,279,380
Total	<u>\$ (836,738)</u>	<u>\$ 7,670,066</u>

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Notes to Basic Financial Statements

December 31, 2016 and 2015

	<b>December 31, 2015</b>	
	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ (1,212,590)	\$ —
Changes of assumptions	—	4,260,849
Net difference between projected and actual earnings	—	4,957,048
<b>Total</b>	<b>\$ (1,212,590)</b>	<b>\$ 9,217,897</b>

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

**Year ended December 31:**

2017	\$	2,348,552
2018		2,348,554
2019		2,163,589
2020		(27,367)
2021		—
Thereafter*		—

\*Note that additional future deferred inflows and outflows of resources may impact these numbers.

**(e) Defined Contribution Plan**

Effective on and after January 1, 2013 all new employees are under the new Defined Contribution Plan. Employees in the new DC Plan are required to contribute 6% of their earnings to the Plan. The District matches the mandatory employee contributions with an additional 6% contribution. Employee contributions are deducted from each bi-weekly paycheck, and this amount together with the District's matching portion, is sent each payday to the DC Plan's administrator, the International City/County Management Association (ICMA). As of December 31, 2016 and 2015 there were 106 and 82 plan members. The District's contributions for the years ended December 31, 2016 and 2015 were \$339,858 and \$246,356, respectively.

**(8) Postemployment Healthcare Plan**

**(a) General**

The District administers a single-employer defined postemployment healthcare plan. The District provides healthcare benefits including coverage for medical insurance to retirees and their spouses up to age 65, and limited reimbursement for medical premiums. The Colorado Revised Code allows, but does not mandate, the District to provide postemployment benefits. Authority for the District to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Colorado Revised Statute sections 24-19-102 and 24-19-103 of the Colorado Revised Code. The healthcare plan is "pay-as-you-go" and does not have an OPEB Trust Fund, thus does not have a publicly available financial report.

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**(b) Funding Policy**

Authority for the District funding of the postemployment healthcare plan comes from the District's Board of Directors. There are no required contributions from plan members. The plan is financed on a pay-as-you-go basis.

**(c) Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year. The net OPEB liability is recorded in other accrued liabilities on the statements of net position.

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Annual required contribution	\$ 846,891	\$ 882,608
Interest on OPEB liability	151,328	131,875
Adjustment to annual contribution	(218,156)	(190,112)
Annual OPEB cost	780,063	824,371
Contribution made	(296,535)	(305,626)
Increase in OPEB liability	483,528	518,745
Net OPEB liability, beginning of year	4,035,409	3,516,664
Net OPEB liability, end of year	\$ 4,518,937	\$ 4,035,409

**(d) Three-Year Trend Information**

Year ended	Annual OPEB cost	Percentage contributed	Net OPEB obligation
December 31, 2014	\$ 833,418	34.5%	\$ 3,516,664
December 31, 2015	824,371	37.1	4,035,409
December 31, 2016	780,063	38.0	4,518,937

**(e) Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**METRO WASTEWATER  
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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant assumptions underlying the actuarial calculations at December 31, 2016 and December 31, 2015 are as follows:

For December 31, 2016:

Actuarial valuation date	January 1, 2016
Actuarial cost method	Projected Unit Credit
Mortality rate	Sex-distinct RP-2000
Amortization method	30 year (open), level dollar amount
Actuarial assumptions:	
Inflation Rate	N/A
Investment Return	N/A
Discount rate	3.75%
Healthcare cost trend rate, initial	15.00%
Healthcare cost trend rate, ultimate	4.20%
Post-retirement benefit increases	N/A
Earnings Progression:	Graded rates based on service, future inflation of 2.75% and productivity increases of 1.0% per year

For December 31, 2015:

Actuarial valuation date	January 1, 2014
Actuarial cost method	Projected Unit Credit
Mortality rate	Sex-distinct RP-2000
Amortization method	30 year (open), level dollar amount
Actuarial assumptions:	
Inflation Rate	N/A
Investment Return	N/A
Discount rate	3.75%
Healthcare cost trend rate, initial	15.00%
Healthcare cost trend rate, ultimate	4.70%
Post-retirement benefit increases	N/A
Earnings Progression:	Graded rates based on service, future inflation of 2.75% and productivity increases of 1.0% per year

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Notes to Basic Financial Statements

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**(f) Funding Status and Funded Progress**

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of January 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,919,069 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,919,069. The covered payroll was \$27,618,839 and the ratio of the UAAL to the covered payroll was 28.7%.

**(9) Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (Section 457). The plan, available to all the District's employees, permits deferral of a portion of the employees' salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Since the plan assets are held in trust by a third party, the District's basic financial statements exclude such Section 457 plan assets and associated liability in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

**(10) Service Agreements**

The District has entered into service agreements with each of the member municipalities and special connectors who provide for, among other things, charges for service to such connectors. Annual charges are based on the budgeted expenses of the District for the year, and are payable to the District in quarterly installments by each of the connectors. The rates charged to connectors are based on the quantity and quality of the sewage flow received and treated.

For the years ended December 31, 2016 and 2015, the District's connectors and related revenue consisted of the following:

<u>Classification</u>	<u>Year ended December 31, 2016</u>		<u>Year ended December 31, 2015</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Member municipalities	22	\$ 112,235,054	22	\$ 107,957,580
Special connectors	28	12,280,959	28	12,057,854
	<u>50</u>	<u>\$ 124,516,013</u>	<u>50</u>	<u>\$ 120,015,434</u>

**METRO WASTEWATER  
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Notes to Basic Financial Statements

December 31, 2016 and 2015

**(11) Board Designated Amounts**

Included in the balance of unrestricted net position of the District are funds designated by the District's Board of Directors (the Board) for specific purposes. These amounts are not included in restricted net position because the designations do not meet the definition of restricted net position as defined by U.S. generally accepted accounting principles. Board designations were as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
90 day expense reserve plus \$1 million	\$ 19,755,726	\$ 18,807,186
Sewer connection charge reserve	25,000,000	25,000,000
Total designated amount	\$ 44,755,726	\$ 43,807,186

**(12) Risk Management**

The District is exposed to various risks of loss related to property, auto, health, and workers' safety, for which the District carries commercial insurance. The District's commercial insurance coverage has remained substantially the same from the prior year. The District retains the first \$100,000 of any property loss. There have been no claim settlements in excess of insurance coverage in the last three years.

The District manages its general liability exposure on a self-insurance basis. As of December 31, 2016 and 2015, there were no claims outstanding against the District that were required to be accrued in the accompanying basic financial statements. As there have been only insignificant general liability claims against the District, there are also no reserves for claims that have been incurred but not reported.

**(13) Commitments and Contingencies**

The District is a party to various lawsuits resulting from risks inherent in its operations. After consulting with legal counsel, District management has concluded that the final disposition of these matters will not have a significant adverse effect on the District's 2016 basic financial statements.

As of December 31, 2016, the District had various commitments totaling approximately \$109.6 million for the construction of major capital improvements, growth, and replacement projects. Funding of these projects will be provided through annual charges for services, bond proceeds, investment earnings, and unrestricted net position. The largest project representing 51.6% of this total is the South Headworks and Grease Processing Improvements, with remaining costs of \$56.5 million.

**(a) Suncor Air and Soil Contamination**

In November 2012, while trenching to install utilities on property leased from the Metro District, Suncor Energy USA Inc. (Suncor) identified groundwater contamination from the light non-aqueous phase liquids. Suncor notified District staff and the Colorado Department of Public Health and Environment (CDPHE).

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2016 and 2015

In 2011, increasing levels of both dissolved and un-dissolved petroleum products was observed in various locations on the Metro District's Robert W. Hite Treatment Facility (RWHTF). The District began working with Suncor staff to address the situation, including having Suncor 1) install skimming devices to remove the free product from monitoring wells, 2) install additional monitoring wells to determine the source of the contamination, and 3) construct concrete "collars" around the District's Sand Creek Interceptor to prevent Suncor's product from running along the Interceptor to the District's RWHTF. District staff began their own independent monitoring, and met with Suncor staff to discuss safety issues, reimbursement of costs, additional monitoring requirements, and future remediation.

In November 2011, Metro District employees observed petroleum-like odors in other areas of the RWHTF and the District conducted atmospheric tests in those areas. As a result of these tests, portions of the Technical Services Building were closed and equipment was installed to enhance ventilation. Since November 2011, Suncor has increased its efforts to monitor and remove both dissolved and un-dissolved petroleum products from the Metro District property, and is responsible for developing and implementing long-term plans for remediation.

In response to the critical nature of the situation; the pace at which response actions were being initiated by the CDPHE, the Environmental Protection Agency (EPA) and Suncor on and around the RWHTF; and the lack of in-house environmental contamination expertise, Metro District staff determined outside assistance was necessary, and, as a result hired an independent consultant and outside legal counsel to assist with the rapidly developing situation.

In December 2011, the consultant was engaged to assist the Metro District with monitoring and mitigating the air and soil contamination originating from the Suncor property. In February 2012, the Board of Directors appropriated \$1.5 million for the work related to the Suncor petroleum contamination. The District has paid ARCADIS approximately \$105,000 and \$143,000 in 2016 and 2015, respectively, in the monitoring efforts. In addition, the District paid its outside legal counsel \$0 and \$2,975 in 2016 and 2015, respectively.

Also in February 2012, the Metro District signed an Access and License Agreement with Suncor in which Suncor agreed to pay a fee of \$40,000 per quarter through 2017 for access to the District site. This amount, together with ARCADIS costs and certain other direct expenses, is billed to and reimbursed by Suncor on a quarterly basis. Suncor is fully responsible for remainder (not a liability of the District) and has reimbursed the District approximately \$265,000 and \$303,000 in 2016 and 2015, respectively.

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**METRO WASTEWATER  
RECLAMATION DISTRICT  
RETIREMENT PLAN**

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)  
December 31, 2016

	Fiscal Year Ending December 31									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>										
Service Cost	\$ 2,118,343	\$ 2,300,707	\$ 2,440,541	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	8,516,917	8,048,386	7,836,723	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect on plan changes	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic /demographic (gains) or losses	1,723,846	(113,453)	(1,826,177)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	5,444,418	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(5,817,753)	(5,757,870)	(5,408,869)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	6,541,353	9,922,188	3,042,218	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	114,296,840	104,374,652	101,332,434	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 120,838,193	\$ 114,296,840	\$ 104,374,652	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	\$ 4,228,249	\$ 4,722,308	\$ 4,679,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	1,636,552	1,631,561	1,421,235	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	6,300,119	(244,970)	5,461,900	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(5,817,753)	(5,757,870)	(5,408,869)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(46,271)	(62,749)	(51,140)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	6,300,896	288,280	6,102,126	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	76,704,230	76,415,950	70,313,824	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ 83,005,126	\$ 76,704,230	\$ 76,415,950	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability, ending = (a) - (b)	\$ 37,833,067	\$ 37,592,610	\$ 27,958,702	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	68.69%	67.11%	73.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$ 23,323,075	\$ 23,834,625	\$ 25,353,510	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as of % of covered payroll	162.21%	157.72%	110.28%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. Information earlier than 2014 was not available

**METRO WASTEWATER  
RECLAMATION DISTRICT  
RETIREMENT PLAN**

Schedule of Employer Contributions (Unaudited)  
Ten Years Ended December 31, 2016

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2007	2,712,442	2,802,715	(90,273)	19,727,497	14.21%
2008	3,078,692	3,078,692	-	20,338,324	15.14%
2009	3,283,556	3,283,556	-	20,827,017	15.77%
2010	3,211,760	3,211,760	-	22,043,035	14.57%
2011	3,725,482	3,725,482	-	21,797,265	17.09%
2012	3,977,529	3,977,529	-	22,854,848	17.40%
2013	5,009,539	5,009,539	-	25,039,481	20.01%
2014	4,722,308	4,679,000	43,308	25,353,510	18.46%
2015	4,228,249	4,722,308	(494,059)	23,834,625	19.81%
2016	4,756,434	4,228,249	528,185	23,323,075	18.13%

**Notes to Schedule**

Valuation date:

Actuarially determined contribution amount is calculated as of January 1st of the fiscal year in which the contributions are reported

Methods and assumptions used for funding policy:

Actuarial cost method    Entry age normal

Amortization method    Level dollar over a 11 year period, closed period

Asset valuation method    Five year non-asymptotic

Inflation                    2.50%

Salary increases            Graded by age

Investment rate of return    7.50%

Retirement age            Table of rates by Age and Eligibility

Mortality                    RP-2000 projected to 2023 for annuitants and 2031 for non-annuitants using Scale BB

**METRO WASTEWATER  
RECLAMATION DISTRICT  
POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN**

Schedule of Funding Progress (Unaudited)

December 31, 2016

<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded ratio (a)/(b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a percentage of covered payroll ((b)-(a))/(c)</b>
1/1/12	—	7,161,337	7,161,337	—	22,854,848	31.3 %
1/1/14	—	7,965,271	7,965,271	—	26,296,926	30.3
1/1/16	—	7,919,069	7,919,069	—	27,618,839	28.7

## **SCHEDULES**

## Schedule 1

**METRO WASTEWATER  
RECLAMATION DISTRICT**  
Supplementary Information –  
Schedule of Revenue and Expenses  
Budget and Actual  
Year ended December 31, 2016

	<u>Year-to-date Actual</u>	<u>Budget Fiscal 2016</u>	<u>Variance – Favorable (Unfavorable)</u>
Operating revenue:			
Annual charges to connectors	\$ 124,516,013	\$ 124,516,013	\$ —
Septic charge revenue	95,308	100,000	(4,692)
Other operating income	2,562,771	1,169,551	1,393,220
	<u>127,174,092</u>	<u>125,785,564</u>	<u>1,388,528</u>
Operating expenses:			
Operations and maintenance:			
Wastewater transmission	1,672,290	1,940,013	267,723
Wastewater treatment	16,559,376	16,255,772	(303,604)
Solids processing	7,618,027	8,861,575	1,243,548
Solids recycling	8,031,693	6,982,929	(1,048,764)
Technical management and support	14,170,540	18,118,644	3,948,104
Administrative and general	17,904,748	18,788,812	884,064
	<u>65,956,674</u>	<u>70,947,745</u>	<u>4,991,071</u>
Operating revenue in excess of expenses (excluding depreciation)	<u>61,217,418</u>	<u>54,837,819</u>	<u>6,379,599</u>
Nonoperating revenue:			
Interest	3,564,123	2,552,417	1,011,706
Insurance proceeds	250,000	—	250,000
Other	3,691,774	—	3,691,774
Total nonoperating revenue	<u>7,505,897</u>	<u>2,552,417</u>	<u>4,953,480</u>
Nonoperating expenses:			
Capital (operations and management)	368,760	281,000	(87,760)
Debt service	49,429,550	46,179,900	(3,249,650)
	<u>49,798,310</u>	<u>46,460,900</u>	<u>(3,337,410)</u>
Revenue over expenses	18,925,005	\$ <u>10,929,336</u>	\$ <u>7,995,669</u>
Reconciliation to change in net position:			
Add:			
Sewer connection fees	54,064,758		
Capital outlay	368,760		
Debt service	49,429,550		
Capital asset, sewer and A&C interest	(870,340)		
Net decrease in the fair value of investments	(2,582,836)		
Deduct:			
Depreciation	(35,770,105)		
Interest expense included in debt service above	(15,210,068)		
Nonoperating expenses	(3,072,678)		
OPEB liability	(483,528)		
Employer contribution expense	4,228,249		
Pension expense	(5,640,685)		
Increase in net position	<u>\$ 63,386,082</u>		

Capital (operations and management) only includes the portion of capital expenditures related to operations. Additional capital expenditures are shown on Footnote 5.

See accompanying independent auditors' report

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Supplementary Information –  
Schedule of Operating Expenses

Budget and Actual

Year ended December 31, 2016

	<u>Year-to-date Actual</u>	<u>Budget Fiscal 2016</u>	<u>Variance – Favorable (Unfavorable)</u>
Operations and maintenance:			
Wastewater transmission:			
Personnel	\$ 1,146,157	\$ 1,392,626	\$ 246,469
Materials and fuel	216,433	251,000	34,567
Chemicals	13,776	6,500	(7,276)
Utilities	284,059	259,887	(24,172)
Outside services	11,865	30,000	18,135
	<u>1,672,290</u>	<u>1,940,013</u>	<u>267,723</u>
Wastewater treatment:			
Personnel	8,276,648	7,953,604	(323,044)
Materials and fuel	1,036,035	966,263	(69,772)
Chemicals	1,545,511	1,634,200	88,689
Utilities	5,450,301	5,316,730	(133,571)
Outside services	199,203	335,975	136,772
Support services	51,678	49,000	(2,678)
	<u>16,559,376</u>	<u>16,255,772</u>	<u>(303,604)</u>
Solids processing:			
Personnel	1,495,206	1,965,141	469,935
Materials and fuel	834,056	748,689	(85,367)
Chemicals	3,431,037	3,595,000	163,963
Utilities	662,726	951,270	288,544
Outside services	1,195,002	1,601,475	406,473
	<u>7,618,027</u>	<u>8,861,575</u>	<u>1,243,548</u>
Solids recycling:			
Personnel	3,781,600	3,560,530	(221,070)
Materials and fuel	1,120,378	1,146,449	26,071
Chemicals	1,576,574	786,194	(790,380)
Utilities	29,758	30,700	942
Outside services	1,521,200	1,459,056	(62,144)
Support Services	2,183	—	(2,183)
	<u>8,031,693</u>	<u>6,982,929</u>	<u>(1,048,764)</u>
Total operations and maintenance	<u>33,881,386</u>	<u>34,040,289</u>	<u>158,903</u>

See accompanying independent auditors' report

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Supplementary Information –  
Schedule of Operating Expenses

Budget and Actual

Year ended December 31, 2016

	<u>Year-to-date Actual</u>	<u>Budget Fiscal 2016</u>	<u>Variance – Favorable (Unfavorable)</u>
Technical management and support:			
Operations and maintenance:			
Personnel (1)	3,710,466	4,474,657	764,191
Materials and fuel	994,799	905,500	(89,299)
Outside services	1,212,237	1,340,000	127,763
Support expenses	52,969	65,230	12,261
	<u>5,970,471</u>	<u>6,785,387</u>	<u>814,916</u>
Resource recovery and reuse:			
Personnel	941,029	919,474	(21,555)
Materials and fuel	271,735	305,780	34,045
Outside services	12,059	23,965	11,906
Support expenses	33,174	47,050	13,876
	<u>1,257,997</u>	<u>1,296,269</u>	<u>38,272</u>
Laboratory:			
Personnel	3,924,536	3,866,828	(57,708)
Materials and fuel	724,348	681,219	(43,129)
Outside services	202,560	188,217	(14,343)
Support expenses	34,005	37,399	3,394
	<u>4,885,449</u>	<u>4,773,663</u>	<u>(111,786)</u>
Engineering:			
Personnel (1)	1,948,447	5,165,325	3,216,878
Materials and fuel	11,982	11,000	(982)
Outside services	58,131	47,000	(11,131)
Support expenses	38,063	40,000	1,937
	<u>2,056,623</u>	<u>5,263,325</u>	<u>3,206,702</u>
Total technical management and support	<u>14,170,540</u>	<u>18,118,644</u>	<u>3,948,104</u>

See accompanying independent auditors' report

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Supplementary Information –  
Schedule of Operating Expenses

Budget and Actual

Year ended December 31, 2016

	<u>Year-to-date Actual</u>	<u>Budget Fiscal 2016</u>	<u>Variance – Favorable (Unfavorable)</u>
Administrative and general:			
Personnel (1)	12,827,423	13,118,638	291,215
Materials and fuel	663,376	599,571	(63,805)
Outside services	2,271,594	2,700,728	429,134
Support expenses	<u>2,142,355</u>	<u>2,369,875</u>	<u>227,520</u>
Total administrative and general	<u>17,904,748</u>	<u>18,788,812</u>	<u>884,064</u>
Total operating system	65,956,674	70,947,745	4,991,071
Capital outlay	<u>368,760</u>	<u>281,000</u>	<u>(87,760)</u>
Total District system	<u>\$ 66,325,434</u>	<u>\$ 71,228,745</u>	<u>\$ 4,903,311</u>

(1) Personnel has been decreased by \$3,258,460 to reflect staff costs relating to capital projects that were capitalized during 2016.

(2) See Schedule 1 for reconciling expenses

See accompanying independent auditors' report

### **III. STATISTICAL SECTION**

# STATISTICAL SECTION

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This section of the comprehensive annual 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.

	<b><u>Page</u></b>
<b><u>Financial Trends</u></b>	III-2
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	
<b><u>Revenue Capacity</u></b>	III-7
<p>These schedules contain information to help the reader assess the District's most significant revenue sources</p>	
<b><u>Debt Capacity</u></b>	III-11
<p>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.</p>	
<b><u>Demographic and Economic Information</u></b>	III-13
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
<b><u>Operating Information</u></b>	III-15
<p>These schedules contain service and infrastructure information to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities performed.</p>	

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Net Position by Component

(Last Ten Fiscal Years)

(Unaudited)

	<b>Fiscal Year</b>									
	<b>2016</b>	<b>2015</b>	<b>2014<sup>(2)</sup></b>	<b>2013</b>	<b>2012<sup>(1)</sup></b>	<b>2011<sup>(1)</sup></b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Enterprise Fund:										
Net Investment in capital assets	\$ 460,051,937	429,463,120	415,810,616	395,807,892	394,336,618	401,101,647	381,937,321	371,746,865	341,452,391	305,663,809
Restricted	30,015,798	28,751,323	19,240,514	42,784,764	29,392,546	17,680,793	18,813,973	17,106,099	16,785,770	14,447,948
Unrestricted	300,634,133	269,101,343	229,052,829	194,045,456	161,508,493	135,481,268	125,418,598	116,456,069	127,220,182	144,428,693
Total Enterprise Fund net position	<u>\$ 790,701,868</u>	<u>727,315,786</u>	<u>664,103,959</u>	<u>632,638,112</u>	<u>585,237,657</u>	<u>554,263,708</u>	<u>526,169,892</u>	<u>505,309,033</u>	<u>485,458,343</u>	<u>464,540,450</u>

(1) As restated for implementation of GASB No. 65.

(2) As restated for implementation of GASB No. 68.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Changes in Net Position

(Last Ten Fiscal Years)

(Unaudited)

<u>Fiscal Year</u>	<u>Operating revenue</u>	<u>Operating expenses</u>	<u>Operating income</u>	<u>Nonoperating revenues/ expenses</u>	<u>Income/Loss before capital contributions</u>	<u>Capital contributions and special items</u>	<u>Change in net position</u>
2007	\$ 69,736,434	\$ 65,768,159	\$ 3,968,275	\$ 4,042,001	\$ 8,010,276	\$ 16,675,962	\$ 24,686,238
2008	76,309,826	73,167,648	3,142,178	2,783,508	5,925,686	14,992,207	20,917,893
2009	82,541,705	71,712,264	10,829,441	(5,224,916)	5,604,525	14,246,165	19,850,690
2010	(2) 88,011,594	74,579,310	13,432,284	(9,301,011)	4,131,273	14,420,696	18,551,969
2011	(2) 96,047,756	76,752,442	19,295,314	(4,055,459)	15,239,855	15,162,851	30,402,706
2012	(2) 103,130,010	99,697,501	3,432,509	(15,018,081)	(11,585,572)	42,559,521	(1) 30,973,949
2013	110,809,466	84,314,050	26,495,416	(12,869,919)	13,625,497	33,774,958	47,400,455
2014	(3) 115,723,735	84,868,290	30,855,445	(1,807,331)	29,048,114	34,639,805	63,687,919
2015	120,903,118	95,001,708	25,901,410	(7,787,632)	18,113,778	45,098,049	63,211,827
2016	127,174,092	103,622,742	23,551,350	(14,230,026)	9,321,324	54,064,758	63,386,082

- (1) The District received \$12.4 million for the purchase of additional BOD capacity from Denver International Airport in 2012 in addition to \$30.1 million of Sewer Connection Charges.
- (2) As restated for implementation of GASB No. 65.
- (3) As restated for implementation of GASB No. 68.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Annual Revenues by Source

(Last Ten Fiscal Years)

(Unaudited)

<b>Fiscal Year</b>	<b>Annual charges to connectors</b>	<b>Other operating revenue</b>	<b>Sewer connection fees</b>	<b>Investment income</b>	<b>Other nonoperating revenue and special items</b>	<b>Total revenue</b>
2007	\$ 67,997,625	\$ 1,738,809	\$ 16,675,962	\$ 8,508,368	—	\$ 94,920,764
2008	74,117,411	2,192,415	14,992,207	5,517,547	555,454	97,375,034
2009	80,787,978	1,753,727	14,246,165	1,757,188	1,226,499	99,771,557
2010	86,443,135	1,568,459	14,420,696	1,811,609	3,627,916	107,871,815
2011	94,223,017	1,824,739	15,162,851	2,057,584	3,610,722	116,878,913
2012	101,760,858	1,369,152	42,559,521	(1) 4,335,939	4,670,815	154,696,285
2013	109,901,727	907,739	33,774,958	(34,201)	4,296,684	148,846,907
2014	114,847,305	876,430	34,639,805	4,597,918	8,722,469	163,683,927
2015	120,015,434	887,684	45,098,049	3,020,955	3,711,621	172,733,743
2016	124,516,013	2,658,079	54,064,758	110,946	4,002,317	185,352,113

(1) The District received \$12.4 million for the purchase of additional BOD capacity from Denver International Airport in 2012 in addition to \$30.1 million of Sewer Connection Charges.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Annual Expenses by Type

(Last Ten Fiscal Years)

(Unaudited)

<u>Fiscal Year</u>	<u>Wastewater transmission</u>	<u>Wastewater treatment</u>	<u>Solids processing</u>	<u>Solids recycling</u>	<u>Engineering services</u>	<u>Laboratory services</u>	<u>Support operations and maintenance</u>	<u>Administrative and general</u>	<u>Depreciation</u>	<u>Total operating expenses</u>	<u>Nonoperating expenses</u>	<u>Total expenses</u>
2007	\$ 1,364,732	\$ 11,764,041	\$ 6,124,634	\$ 5,496,113	\$ 1,252,652	\$ 3,190,859	\$ 4,555,183	\$ 13,922,261	\$ 18,097,684	\$ 65,768,159	\$ 4,466,367	\$ 70,234,526
2008	1,529,841	12,753,021	7,283,424	5,614,055	1,519,923	3,118,618	5,097,102	14,501,610	21,750,054	73,167,648	3,289,493	76,457,141
2009	1,662,036	12,420,648	6,154,455	5,010,903	1,457,160	3,109,453	5,079,842	14,541,108	22,276,659	71,712,264	8,208,603	79,920,867
2010	1,615,529	13,322,260	7,024,310	4,274,231	1,892,998	3,160,090	5,925,514	14,415,559	22,948,819	74,579,310	12,431,646	87,010,956
2011	1,671,093	13,973,761	6,920,342	4,521,244	1,764,786	3,487,210	5,998,033	15,271,776	23,144,197	76,752,442	9,723,765	86,476,207
2012	1,706,342	13,544,517	7,563,354	5,081,222	2,393,154	3,595,125	6,389,269	15,444,651	43,979,867	99,697,501	24,024,835	123,722,336
2013	1,796,093	13,566,221	7,761,947	5,260,754	2,377,180	3,984,998	7,179,686	15,427,226	26,959,945	84,314,050	17,132,402	101,446,452
2014	(1) 1,735,774	14,367,188	7,823,389	5,537,914	2,170,828	3,952,942	6,279,562	15,628,555	27,372,138	84,868,290	15,127,718	99,996,008
2015	1,769,041	15,071,499	7,965,783	6,743,753	2,430,194	4,417,412	7,116,253	17,450,740	32,037,033	95,001,708	14,520,208	109,521,916
2016	1,727,967	16,961,517	7,690,712	8,211,750	2,156,632	5,082,336	7,460,951	18,560,772	35,770,105	103,622,742	18,343,289	121,966,031

(1) As restated for implementation of GASB No. 68.

Approximately \$2,012,000 of engineering wages associated with construction projects were capitalized in 2007.

Approximately \$1,818,000 of engineering wages associated with construction projects were capitalized in 2008.

Approximately \$1,997,000 of engineering wages associated with construction projects were capitalized in 2009.

Approximately \$2,267,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2010.

Approximately \$2,927,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2011.

Approximately \$2,875,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2012.

Approximately \$3,165,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2013.

Approximately \$3,246,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2014.

Approximately \$3,187,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2015.

Approximately \$3,258,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2016.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Nonoperating Revenues and Expenses

(Last Ten Fiscal Years)

(Unaudited)

<u>Fiscal year</u>	<u>Investment income (expense)</u>	<u>Interest expense</u>	<u>Bond issuance costs</u>	<u>Intergovernmental revenue (expense)</u>	<u>Gain (loss) on disposal of capital assets</u>	<u>Other revenue/ (expense)</u>	<u>Total nonoperating revenues/ (expenses)</u>
2007	\$ 8,508,368	\$ (1,868,071)	\$ (149,766)	\$ -	\$ (490,502)	\$ (1,958,028)	\$ 4,042,001
2008	5,517,547	387,474	(144,029)	-	154,266	(3,131,750)	2,783,508
2009	1,757,188	(3,106,201)	(191,324)	1,226,499	(3,788,448)	(1,122,630)	(5,224,916)
2010 (1)	1,811,609	(10,584,149)	(2,591,568)	3,627,916	(939,150)	(625,669)	(9,301,011)
2011 (1)	2,057,584	(8,450,592)	-	3,610,722	(231,054)	(1,042,119)	(4,055,459)
2012 (1)	4,335,939	(20,694,707)	(1,207,232)	3,610,722	(250,768)	(812,035)	(15,018,081)
2013	(34,201)	(16,372,226)	-	3,388,663	48,161	99,684	(12,869,919)
2014	4,597,918	(11,885,426)	-	3,349,848	(2,828,938)	4,959,267	(1,807,331)
2015	3,020,955	(12,743,455)	-	3,351,653	(968,698)	(448,087)	(7,787,632)
2016	110,946	(15,210,068)	-	3,364,291	280,252	(2,775,447)	(14,230,026)

(1) As restated for implementation of GASB No. 65.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Wastewater Treated

(Last Ten Fiscal Years)

(Unaudited)

<b>Fiscal Year</b>	<b>Average gallons of wastewater treated (millions)</b>	<b>Annual charges (millions)</b>	<b>Annual charges per average million gallons per day (millions)</b>
2007	140.0	\$ 68.0	\$ 0.5
2008	131.0	74.1	0.6
2009	139.0	80.8	0.6
2010	133.0	86.4	0.6
2011	130.0	94.2	0.7
2012	129.0	101.8	0.8
2013	130.0	110.0	0.8
2014	133.0	115.0	0.9
2015	148.0	120.0	0.8
2016	137.0	124.5	0.9

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Annual Sewer Connections

(Last Ten Fiscal Years)

(Unaudited)

<b>Fiscal year</b>	<b>Total sewer connections</b>	<b>Cost per single family residential equivalent</b>
2007	8,422	\$ 1,980
2008	6,973	2,150
2009	5,479	2,320
2010	5,546	2,600
2011	5,247	2,890
2012	9,112	3,310
2013	8,606	3,960
2014	8,804	3,960
2015	11,826	3,960
2016	14,022	4,220

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Number of Sewer Customers by Type

(Last Ten Fiscal Years)

(Unaudited)

<b><u>Fiscal year</u></b>	<b><u>Municipalities</u></b>	<b><u>Special connectors</u></b>	<b><u>Industrial</u></b>	<b><u>Total</u></b>
2007	20	24	2	46
2008	20	25	2	47
2009	22	25	2	49
2010	22	25	2	49
2011	22	25	2	49
2012	22	25	2	49
2013	22	25	2	49
2014	22	25	2	49
2015	22	26	2	50
2016	22	26	2	50

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Ten Largest Customers

(Current Year and Nine Years Ago)

(Unaudited)

<b>Customer</b>	<b>Fiscal year 2016</b>	
	<b>Sewer revenue</b>	
	<b>Amount</b>	<b>Percentage</b>
City and County of Denver	\$ 49,197,801	39.5%
City of Aurora	27,583,289	22.2%
City of Thornton	9,573,144	7.7%
City of Arvada	7,552,684	6.1%
Bancroft-Clover Water and Sanitation District	2,833,020	2.3%
City of Westminster	2,782,245	2.2%
City of Lakewood	2,488,544	2.0%
Green Mountain Water and Sanitation District	2,291,235	1.8%
North Washington Street Water and Sanitation District	1,899,081	1.5%
Cherry Creek Valley Water and Sanitation District	1,514,655	1.2%
Subtotal (10 largest)	107,715,698	86.5%
Balance from other customers	16,800,315	13.5%
Grand Totals	\$ 124,516,013	100.0%

<b>Customer</b>	<b>Fiscal year 2007</b>	
	<b>Sewer revenue</b>	
	<b>Amount</b>	<b>Percentage</b>
City and County of Denver	\$ 28,339,531	41.7%
City of Aurora	12,390,152	18.2%
City of Thornton	4,980,382	7.3%
City of Arvada	4,360,709	6.4%
City of Westminster	1,778,983	2.6%
North Washington Street Water and Sanitation District	1,765,782	2.6%
City of Lakewood	1,567,833	2.3%
Bancroft-Clover Water and Sanitation District	1,362,473	2.0%
Wheat Ridge Sanitation District	967,180	1.4%
Northwest Lakewood Sanitation District	750,845	1.1%
Subtotal ( 10 largest)	58,263,870	85.7%
Balance from other customers	9,733,755	14.3%
Grand Totals	\$ 67,997,625	100.0%

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Pledged Revenue Coverage

(Last Ten Fiscal Years)

(Unaudited)

Fiscal year	Operating revenues	Sewer connection fees	Interest on Investments	Gross revenues	Less operating expenses (1)	Net available revenues	Debt service - revenue bonds			Coverage ratio
							Principal	Interest (5)	Total	
2007	\$ 69,736,434	\$ 16,675,962	\$ 8,508,368	\$ 94,920,764	\$ 49,815,147	\$ 45,105,617	\$ 12,730,104	\$ 4,492,634	\$ 17,222,738	2.62
2008	76,865,280	(4) 14,992,207	5,517,547	97,375,034	53,395,857	43,979,177	13,210,471	3,325,691	16,536,162	2.66
2009	82,541,705	14,246,165	1,757,188	98,545,058	51,569,012	46,976,046	14,263,537	2,720,039	16,983,576	2.77
2010	88,011,594	14,420,696	1,811,609	104,243,899	53,798,994	50,444,905	14,674,422	12,358,249	27,032,671	1.87
2011	96,047,756	15,162,851	2,057,584	113,268,191	56,174,678	57,093,513	15,383,254	10,853,013	26,236,267	2.18
2012	103,130,010	42,559,521	(2) 4,335,939	150,025,470	58,429,059	91,596,411	14,440,000	21,290,694	35,730,694	2.56
2013	110,809,466	33,774,958	(34,201)	144,550,223	60,225,319	84,324,904	10,710,000	26,131,299	36,841,299	2.29
2014	115,723,735	34,639,805	4,597,918	154,961,458	(3) 61,987,561	92,973,897	11,160,000	25,709,902	36,869,902	2.52
2015	120,903,118	45,098,049	3,020,955	169,022,122	65,807,672	103,214,450	12,005,000	25,219,771	37,224,771	2.77
2016	127,174,092	54,064,758	110,946	181,349,796	69,583,894	111,765,902	21,620,000	24,445,259	46,065,259	2.43

- (1) Operating expenses include operating expenses including capitalized wages and capital outlay, excluding depreciation. Source: CAFR Schedule 2
- (2) The District received \$12.4 million for the purchase of additional BOD capacity from Denver International Airport in 2012 in addition to \$30.1 million of Sewer Connection Charges.
- (3) As restated for implementation of GASB No. 68.
- (4) Includes non-operating revenues of interest revenue and other.
- (5) Net of 2009B BABS interest refund.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Ratios of Outstanding Debt

(Last Ten Fiscal Years)

(Unaudited)

<u>Fiscal Year</u>	<u>Outstanding principal - revenue bonds (thousands of dollars)</u>	<u>Personal income (thousands of dollars)</u>	<u>Per capita personal income</u>	<u>Outstanding principal debt to personal income</u>
2007	\$ 82,523	\$ 114,529,464	\$ 46,682	0.07
2008	69,319	120,044,419	48,010	0.06
2009	311,513	118,960,704	46,611	0.26
2010	295,997	119,733,976	46,871	0.25
2011	279,772	127,324,066	48,980	0.22
2012	683,148	134,735,338	50,936	0.51
2013	670,062	140,122,755	51,946	0.48
2014	656,685	148,684,245	53,983	0.44
2015	642,543	157,531,669	55,975	0.41
2016	618,786	N/A	N/A	0.00

N/A: not available at time of printing

**Source:** Bureau of Economic Analysis - U.S. Department of Commerce

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Demographic and Economic Statistics

(Last Ten Calendar Years)

(Unaudited)

<u>Fiscal Year</u>	<u>Population (1)</u>		<u>Personal income (thousands of dollars)</u>		<u>Per capita personal income</u>	<u>Unemployment rate percentage</u>	
2007	2,453,393	\$	114,529,464	\$	46,682	4.4	%
2008	2,500,384		120,044,419		48,010	6.0	
2009	2,552,195		118,960,704		46,611	7.8	
2010	2,554,569		119,733,976		46,871	8.9	
2011	2,599,504		127,324,066		48,980	7.9	
2012	2,645,209		134,735,338		50,936	7.4	
2013	2,697,476		140,122,755		51,946	6.5	
2014	2,754,258		148,684,245		53,983	4.8	
2015	2,814,330		157,531,669		55,975	3.6	
2016	N/A		N/A		N/A	3.6	

(1) Represents the population of Metropolitan Denver.

N/A: not available at time of printing

**Source:** U.S. Bureau of Economic Analysis and U.S. Department of Labor

Ten Largest Employers

(Current Year and Nine Years Ago)

(Unaudited)

<b>Employer</b>	<b>2016</b>				<b>2007</b>		
	<b>Employees</b>	<b>Percentage of total (1)</b>	<b>Rank</b>		<b>Employer</b>	<b>Employees</b>	<b>Percentage of total (2)</b>
HealthONE Corporation	11,960	0.74%	1	N/A	N/A	N/A	N/A
Centura Health	9,450	0.58	2	N/A	N/A	N/A	N/A
SCL Health System	9,060	0.56	3	N/A	N/A	N/A	N/A
Lockheed Martin Corporation	7,460	0.46	4	N/A	N/A	N/A	N/A
UCHealth	6,770	0.42	5	N/A	N/A	N/A	N/A
Comcast Corporation	6,760	0.42	6	N/A	N/A	N/A	N/A
Kaiser Permanente	6,420	0.40	7	N/A	N/A	N/A	N/A
Children's Hospital Colorado	6,100	0.38	8	N/A	N/A	N/A	N/A
CenturyLink	5,840	0.36	9	N/A	N/A	N/A	N/A
United Airlines	5,500	0.34	10	N/A	N/A	N/A	N/A
Total	<u>75,320</u>			Total	<u>-</u>		

**Source:** Metro Denver Economic Development Corporation

(1) Total employed - 2016 1,620,700

N/A: not available at time of printing

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Number of Employees by Activity

(Last Ten Fiscal Years)

(Unaudited)

	<b>Full-time-equivalent employees as of December 31,</b>									
	<b>2016*</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Administrative services	59.00	66.00	67.00	67.00	67.00	67.00	66.00	65.00	68.00	69.00
Engineering	37.75	39.75	38.75	38.00	40.00	34.00	31.00	31.00	32.00	32.00
Environmental services	70.50	68.50	63.50	61.50	59.00	61.00	61.00	59.00	60.00	58.00
Human Resources	5.00	—	—	—	—	—	—	—	—	—
Maintenance	73.00	—	—	—	—	—	—	—	—	—
NTP Operations & Maintenance	-	11.25	3.00	2.00	2.00	1.00	—	—	—	—
Office of the General Counsel	2.00									
Office of the Manager (including legal services)	3.00	8.00	7.00	7.00	5.00	11.00	12.00	11.00	10.00	11.00
Operations	46.00	—	—	—	—	—	—	—	—	—
RWHTF Operations and Maintenance	-	133.75	136.00	136.00	139.00	137.00	131.00	135.00	133.00	130.00
Resource, Recovery & Reuse	71.00	43.00	38.00	41.00	44.00	41.00	42.00	45.00	45.00	47.00
Strategy and Innovation	9.00	—	—	—	—	—	—	—	—	—
Total	<u>376.25</u>	<u>370.25</u>	<u>353.25</u>	<u>352.50</u>	<u>356.00</u>	<u>352.00</u>	<u>343.00</u>	<u>346.00</u>	<u>348.00</u>	<u>347.00</u>

\* Information for 2016 updated with re-organization during 2017 Budget preparation process.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Operating Indicators by Function/Program

(Last Ten Fiscal Years)

(Unaudited)

Function/Program:	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Wastewater Treatment</b>										
Number of Wastewater Plants	2	1	1	1	1	1	1	1	1	1
Treatment Capacity (mgd) (1)	249	225	225	225	225	225	225	225	225	225
Average Flow Treated (mgd) (1)	137	148	133	130	129	130	133	136	129	140
BOD (tpd) (2) (3)	166	164	155	156	142	153	157	161	161	168
TSS (tpd) (4)	171	170	168	170	148	154	167	182	175	185
Flow Permit Limits	249	220	220	220	220	220	220	220	220	200
BOD Permit Limits	240	212	212	212	212	212	212	212	212	212
<b>Biosolids:</b>										
Dry tons distributed	29,640	28,961	27,525	26,068	27,026	26,589	25,616	25,005	28,213	28,092
Truck miles driven	867,581	839,631	736,493	663,805	819,752	709,335	678,756	637,881	641,641	549,810
Truck loads	6,622	6,527	6,001	5,818	6,326	5,849	5,491	5,207	6,068	5,431
Acres biosolids applied to	16,537	16,765	16,912	13,965	15,222	13,179	14,204	11,463	11,798	11,487
<b>Facility inspection:</b>										
Line cleaning - feet	189,260	182,485	181,627	170,939	167,537	180,613	188,502	189,191	159,504	167,611
Surface inspection - number	2,788	2,481	2,910	2,259	2,349	2,473	2,420	2,219	2,141	2,391
TV inspection - feet	176,982	131,356	149,829	133,263	136,206	129,432	152,992	164,385	203,842	153,019
<b>Cogeneration production:</b>										
Suez energy output - kwhs (5)	30,421,280	32,183,360	30,869,600	31,838,560	31,603,520	34,017,200	33,300,000	33,769,600	32,000,000	31,105,280
District-Wide Personnel at Year-End:	376.25	370.25	353.25	352.50	356	352	343	346	348	347

(1) mgd: million gallons per day  
(2) BOD: biochemical oxygen demand  
(3) tpd: tons per day  
(4) TSS: total suspended solids  
(5) kwhs: kilowatt hours