

METRO WASTEWATER RECLAMATION DISTRICT
STATE OF COLORADO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended December 31, 2017 and 2016



RECEIVED

Office of the State Auditor

June 19, 2018

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, 2017 AND 2016

SUBMITTED BY:

THE FINANCE DIVISION

METRO WASTEWATER RECLAMATION DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
DECEMBER 31, 2017 and 2016

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William J. (Mickey) Conway, District Manager

May 21, 2018

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, 2017 and 2016, 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, 2017 and 2016.

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 and the new Northern Treatment Plant (NTP). The 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 2017, the six-county area had an estimated total population of 3.3 million of which the Metro 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 2018. Employment growth continues and all supersectors of the regional economy are expected to post strong employment growth in 2018, particularly in transportation, warehousing, and utilities, natural resources and construction, and education and health service supersectors.

- Metro Denver's employment growth is expected to be 1.9 percent in 2018, and the EDC expects the addition of about 31,400 jobs.
- Metro Denver continues to attract new companies, draw in a young workforce, and promote entrepreneurship. Population is expected to increase by 49,200.
- 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 affordability. An additional 24,100 housing units are anticipated in 2018. Construction activity will remain strong in 2018 as office and industrial space is expected to bolster the market.
- Large scale infrastructure projects will continue at a robust pace. This includes a terminal renovation at Denver International Airport and Denver Water's expansion of Gross Reservoir.
- 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

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 and implementing 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. There are 18 tactics that have been identified for value results in 2018.

Innovation and Disinfection Process

During 2017, the Metro District evaluated its current disinfection process, which used an extensive underground delivery system to provide sodium hypochlorite and sodium bisulfite chemicals to the disinfection site, and determined to implement a full scale demonstration Peracetic Acid (PAA) disinfection system. The PAA system is the largest scale system in the United States used to treat wastewater and went into full production in January 2018. The Metro District plans to use the PAA system for at least two years while its continues to evaluate the best long term solution to the disinfection process.

Facility Planning

The Metro District began 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 2017 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, 2017 and 2016.

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 \$891 million through 2028 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, 2016. Certificates of Achievement were also awarded by the GFOA for the previous 29 District CAFRs (1987–2015).

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.

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,



William J. Conway, District Manager



Donald P. Warn, Director of Administrative Services



Molly Kostelecky, Finance and Accounting Officer



William J. (Mickey) Conway, 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, 2016

Christopher P. Morill

Executive Director/CEO

METRO WASTEWATER RECLAMATION DISTRICT

METRO DISTRICT OFFICIALS

DECEMBER 31, 2017

BOARD OF DIRECTORS

Officers of the Board

Daniel Mikesell : Chairman
Peter Baertlein : Chairman Pro Term
Thomas Bellinger : Secretary
Scott Twombly : Treasurer

Members of the Board

Curt Aldstadt	John Ennis	Christopher Pachecho
Charlie Brown	Mark Hunter	Barbara Puls
Philip Burgi	Joan Iler	Bill Ray
Nadine Caldwell	Kathryn Jensen	Ronald Sanchez
Philip Cipri	Andrew Johnston	Michael Sapp
Cheryl Cohen-Vader	Craig Kocian	Kim Schoen
Tom Colchin	Ingrid Lindemann	Gerry Schulte
David Councilman	Charles Long	Peter Spanberger
John Dingess	Martin Majors	Amerigo Svaldi
George Dumas	Jim McClung	Dennis Towndrow
Robert Duncanson	Claude Off	Ronald Younger

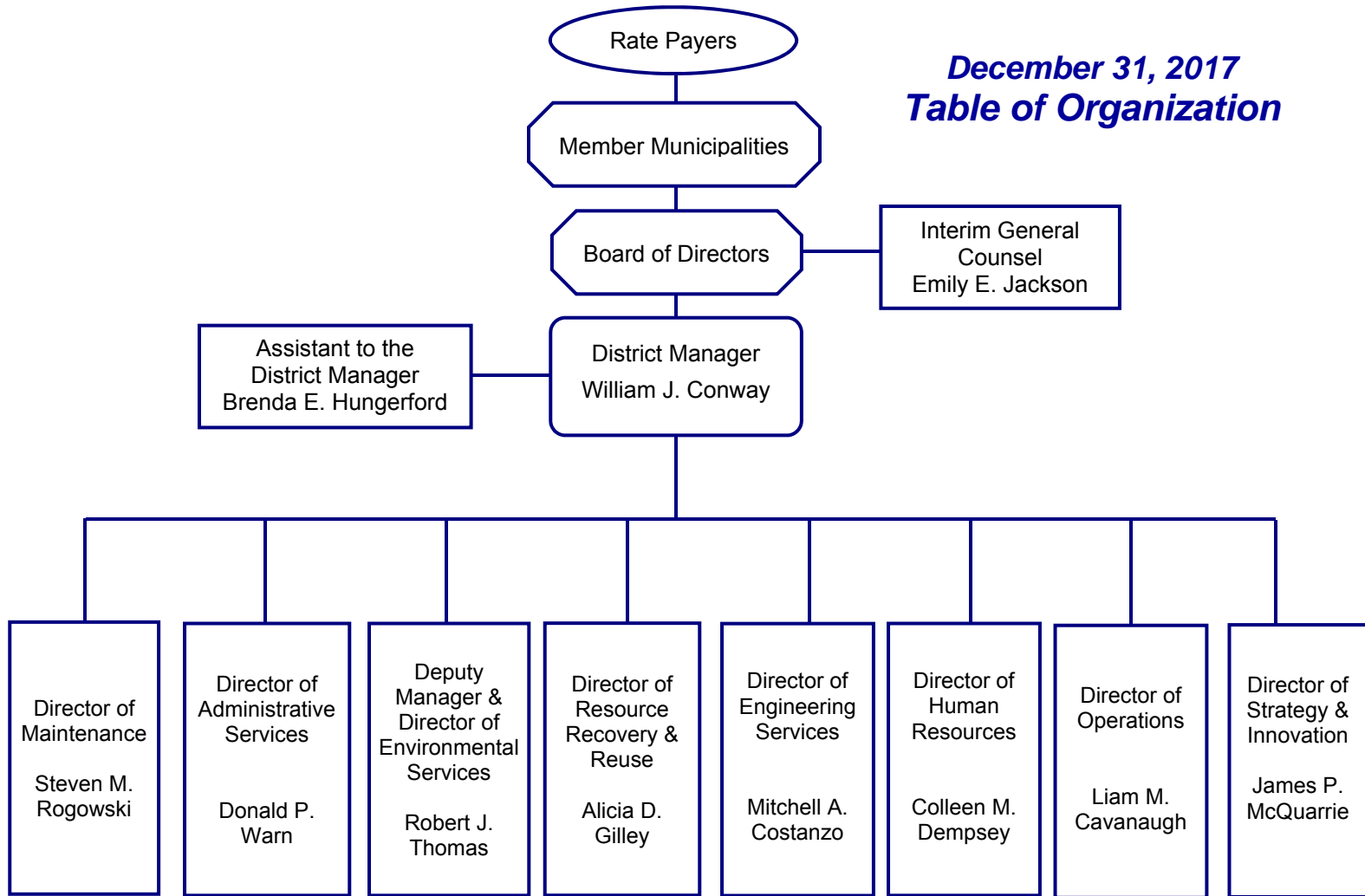
Staff Officials

William J. Conway : 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
Emily E. Jackson : Interim General Counsel
James P. McQuarrie : Director of Strategy and Innovation



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

**December 31, 2017
 Table of Organization**



Number of Employees by Department

Maintenance	69.00
Operations	42.00
Resource Recovery and Reuse	72.00
Administrative Services	58.00
Engineering	36.75
Environmental Services	68.50
Human Resources	12.00
Office of the General Counsel	2.00
Office of the Manager	2.00
Strategy and Innovation	12.00
Total Metro District Employees	374.25



CliftonLarsonAllen

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, 2017 and 2016, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

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, 2017 and 2016, 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 an opinion 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

May 21, 2018

METRO WASTEWATER RECLAMATION DISTRICT

Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016
(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, 2017 and 2016. This discussion and analysis is presented for the District's primary operations.

Financial Highlights

- The District's net position of \$841.2 million at December 31, 2017 increased over the course of 2016 by \$50.5 million or approximately 6.4%.
- Sewer connection fees increased \$5.4 million in 2017 from \$54.1 million to \$59.5 million due primarily to the number of new sewer connections.
- Total operating revenue increased \$1.6 million in 2017 due primarily to a 2.0% 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 four 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 2017, the District implemented the provisions of GASB No. 82, *Pension Issues – an amendment of GASB Statements no. 67, no. 68 and No. 73* (GASB No. 82), effective for the fiscal year ended December 31, 2017. GASB No. 82 addressed issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Defined Benefit Plan has adopted GASB No. 82. This statement updates information in various note disclosures and required supplementary information schedules.

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.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016
(Unaudited)

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.

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, capital financing, and noncapital 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 \$841.2 million at December 31, 2017 and \$790.7 million at December 31, 2016.

Unrestricted assets totaled approximately \$353.5 million and \$358.3 million at year-end 2017 and 2016, respectively. These balances primarily represent unrestricted cash, cash equivalents, investments, and accounts receivables from connectors. Restricted assets totaled \$36.5 million and \$36.8 million at year-end 2017 and 2016, 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 \$1,105.2 million and \$1,078.8 million at year-end 2017 and 2016, respectively. These assets include investments in wastewater plant, including pipelines and buildings, machinery, equipment, and vehicles.

Current liabilities totaled approximately \$43.7 million and \$49.2 million at year-end 2017 and 2016, 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 \$613.9 million and \$640.9 million at year-end 2017 and 2016, 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 investment in capital assets is the largest portion of the District's net position (60.7%) in 2017 and (58.2%) in 2016, and reflect its investment in capital assets (e.g., sewers, buildings, machinery, and equipment) less related debt. Net investment in capital assets totaled \$510.9 million and \$460.1 million at year-end 2017 and 2016, respectively. The net increase of \$50.8 million over 2016 is primarily due to a \$26.3 million net increase in capital assets combined with \$24.5 million decrease in debt. The net increase of \$30.6 million over 2015 is primarily due to \$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 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, 2017 and 2016
(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 \$29.9 million and \$30.0 million at year-end 2017 and 2016, respectively. Unrestricted net position comprises the remainder of the balance. This net position may be used for any purposes. Unrestricted net position totaled approximately \$300.4 million and \$300.6 million at year-end 2017 and 2016, 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,		
	2017	2016	2015
Unrestricted assets	\$ 353,497	\$ 358,318	\$ 334,256
Restricted assets	36,479	36,840	73,989
Capital assets, net	1,105,157	1,078,838	1,033,849
Total assets	<u>1,495,133</u>	<u>1,473,996</u>	<u>1,442,094</u>
Deferred outflows of resources	6,388	7,670	9,218
Current liabilities	43,693	49,233	58,244
Noncurrent liabilities	613,886	640,894	664,539
Total liabilities	<u>657,579</u>	<u>690,127</u>	<u>722,783</u>
Deferred inflows of resources	2,748	837	1,213
Net investment in capital assets	510,877	460,052	429,463
Restricted	29,922	30,016	28,751
Unrestricted	300,395	300,634	269,102
Total net position	<u>\$ 841,194</u>	<u>\$ 790,702</u>	<u>\$ 727,316</u>

The primary variances between 2017, 2016, and 2015 are related to restricted and capital assets and noncurrent liabilities. Restricted assets decreased by \$0.3 million during 2017 and decreased by \$37.1 million during 2016. The decrease in 2017 was primarily due to spending of restricted bond proceeds for additions to construction in progress. The decrease in 2016 was also primarily due to spending of restricted bond proceeds for additions to construction in progress. Capital assets increased by \$26.4 million and \$45.0 million during 2017 and 2016, respectively, due primarily to additions in construction in progress. Noncurrent liabilities decreased by \$27.0 million during 2017 due primarily to the principal payments on outstanding bonds. Noncurrent liabilities decreased in 2016 primarily due to the principal payments on outstanding bonds. For further information, please see the capital assets and debt administration discussion on pages 7 – 9.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016
(Unaudited)

As can be seen in the following Table A-2, net position increased \$50.5 million to \$841.2 million in 2017 and \$63.4 million to \$790.7 million in 2016. The increase in net position in 2017 was primarily due to receiving \$59.5 million in sewer connection fees reduced by loss before sewer connection fees of \$9.0 million. 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.

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

	December 31,		
	2017	2016	2015
Annual charges to connectors	\$ 127,006	\$ 124,516	\$ 120,015
Septic charge revenue	79	95	568
Other operating revenue	1,672	2,563	320
Total operating revenue	128,757	127,174	120,903
Investment revenue	3,931	111	3,021
Intergovernmental revenue	3,477	3,364	3,352
Total revenue	136,165	130,649	127,276
Operations and maintenance expenses	35,404	34,592	31,550
Technical management and support	17,652	14,700	13,964
Administrative and general	21,094	18,561	17,451
Depreciation and amortization	43,440	35,770	32,037
Total operating expenses	117,590	103,623	95,002
Interest expense	21,752	15,210	12,743
Other	5,822	2,495	1,417
Total nonoperating expenses	27,574	17,705	14,160
Total expenses	145,164	121,328	109,162
Changes in net position before capital contributions	(8,999)	9,321	18,114
Sewer connection fees	59,491	54,065	45,098
Changes in net position	50,492	63,386	63,212
Beginning net position	790,702	727,316	664,104
Ending net position	\$ 841,194	\$ 790,702	\$ 727,316

**METRO WASTEWATER
RECLAMATION DISTRICT**

Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016
(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 2017 including sewer connection fees increased by approximately \$10.9 million or 5.9%, and total expenses increased by approximately \$23.8 million or 19.6% from 2016. The major factors that drove these results and other changes during 2017 include:

- Operating revenue increased by \$1.6 million in 2017 primarily due to a 2.0% increase in annual charges for service rates to connectors.
- Sewer connection fees increased approximately \$5.4 million in 2017 primarily due to an increase in number of Single Family Residential Equivalents.
- Investment revenue increased by \$3.8 million in 2017, primarily due to both realized and unrealized gains on investments.
- The \$23.8 million increase in total expenses included an increase of \$14.0 million in operating costs, which includes an increase of \$7.7 million in depreciation expense, an increase of \$6.5 million in interest costs and an increase of \$3.3 million in other expense comprised primarily of \$5.8 million of small projects transferred to expense.

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.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2017 and 2016, the District's investment in capital assets amounted to \$1,105.2 million and \$1,078.8 million, respectively (net of accumulated depreciation), as shown in the following Table A-3. The \$26.3 million increase in net capital assets in 2017 was primarily due to approximately \$67.3 million in additions to construction in progress for various ongoing wastewater and improvement and rehabilitation projects, offset by \$43.4 million of depreciation expense.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016
(Unaudited)

The following projects incurred such costs for 2017: South Headworks and Grease Processing Improvements – \$23.9 million, Sidestream Nutrient Removal – \$13.9 million, Interceptor Rehabilitation 2016 – \$5.9 million, Digester Complex Rehabilitation – \$5.8 million, Sludge Processing Building – \$2.6 million, PWC Operating Pressure – \$1.9 million, Nuisance Struvite and Dewaterability – \$1.0 million and Sludge Processing Building – \$1.0 million. The remaining increase of \$11.3 million to construction in progress was a result of other additions to numerous smaller projects.

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. 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.

Construction-in-progress increased by \$47.5 million in 2017. The \$67.3 million in additions to construction in progress in 2017 discussed above was offset by \$19.8 million in completed projects, such as the HVAC Improvements, the Northern Treatment Plant additional costs, the South Secondary Improvements additional costs, the Potable Water Line Replacement, and the Sodium Bisulfate Static Mixers Improvement, which were transferred to plant and equipment. 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.

The increase in capital assets in 2017 and 2016 was offset by capital asset disposals of \$18.8 million and \$1.9 million, respectively.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land, land improvements and water rights	\$ 42,217	\$ 42,217	\$ 42,137
Plant in service	887,311	877,013	667,260
Vehicles and equipment	533,353	539,529	381,001
Construction in progress	<u>96,211</u>	<u>48,677</u>	<u>338,122</u>
	1,559,092	1,507,436	1,428,520
Less accumulated depreciation	<u>(453,936)</u>	<u>(428,598)</u>	<u>(394,671)</u>
Net capital assets	<u>\$ 1,105,156</u>	<u>\$ 1,078,838</u>	<u>\$ 1,033,849</u>

**METRO WASTEWATER
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Management's Discussion and Analysis
Years Ended December 31, 2017 and 2016
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At December 31, 2017, the District had future construction commitments for capital projects totaling \$114.8 million. The largest project, representing 29.6% of this total, is the South Headworks and Grease Processing Improvements, with remaining costs of \$34.0 million.

Debt Administration

At December 31, 2017 and 2016, the District's long-term debt consisted of approximately \$594.3 and \$618.8 in bonds payable, respectively. The District's underlying bond ratings are as follows:

<u>Moody's Investors Services</u>	<u>Standard & 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 \$79.2 million 2018 Operation and Maintenance Budget, an increase of \$4.7 million from 2017. 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 \$129.5 million, a 2.0% increase from 2017. 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 2018 totals \$103.2 million, a decrease of \$15.9 million from the 2017 Capital Projects Budget of \$119.2 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.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Statements of Net Position

December 31, 2017 and 2016

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 58,794,997	\$ 27,529,585
Investments	280,831	19,609,060
Accounts receivable	18,308,324	15,879,666
Due from other governments	843,104	840,396
Accrued interest receivable	1,030,212	1,058,375
Materials and supplies inventories, net of loss reserve of \$250,000	5,733,841	5,553,432
Prepaid expenses and other assets	1,274,868	1,072,582
	86,266,177	71,543,096
Restricted:		
Cash and cash equivalents	29,038,836	19,271,354
Investments	2,000,040	10,096,374
	31,038,876	29,367,728
Total current assets	117,305,053	100,910,824
Noncurrent assets:		
Investments	267,230,560	286,774,897
Nondepreciable capital assets:		
Land and water rights	42,217,020	42,217,020
Construction in progress	96,210,896	48,677,205
	138,427,916	90,894,225
Depreciable capital assets, net:		
Plant in service	628,047,505	632,497,956
Equipment and vehicles	338,681,382	355,445,967
Net capital assets	1,105,156,803	1,078,838,148
Restricted:		
Investments	5,440,215	7,472,520
Total noncurrent assets	1,377,827,578	1,373,085,565
Total assets	1,495,132,631	1,473,996,389
Deferred outflows of resources:		
Pension related	6,388,458	7,670,066

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Statements of Net Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable	11,973,197	17,284,838
Accrued payroll	941,304	828,690
Compensated absences	116,282	99,028
Unearned revenue	944,640	1,826,640
	<u>13,975,423</u>	<u>20,039,196</u>
Payable from restricted assets:		
Accrued interest payable	6,557,325	6,824,450
Bonds payable	23,160,000	22,370,000
Total current liabilities	<u>43,692,748</u>	<u>49,233,646</u>
Noncurrent liabilities:		
Compensated absences	2,093,229	2,142,988
Bonds payable	571,119,546	596,416,211
Net pension liability	35,715,589	37,833,067
Other accrued liabilities	4,958,009	4,501,937
Total noncurrent liabilities	<u>613,886,373</u>	<u>640,894,203</u>
Total liabilities	<u>657,579,121</u>	<u>690,127,849</u>
Deferred inflows of resources:		
Pension related	<u>2,748,418</u>	<u>836,738</u>
Net position:		
Net investment in capital assets	510,877,257	460,051,937
Restricted – bonds	29,921,766	30,015,798
Unrestricted	300,394,527	300,634,133
Total net position	<u>\$ 841,193,550</u>	<u>\$ 790,701,868</u>

See accompanying notes to basic financial statements.

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Statements of Revenue, Expenses, and Changes in Net Position

Years ended December 31, 2017 and 2016

	2017	2016
Operating revenue:		
Annual charges to connectors	\$ 127,006,333	\$ 124,516,013
Septic charge revenue	78,866	95,308
Other operating revenue	1,671,773	2,562,771
Total operating revenue	128,756,972	127,174,092
Operating expenses:		
Operations and maintenance:		
Wastewater transmission	1,602,792	1,727,967
Wastewater treatment	17,027,979	16,961,517
Solids processing	8,400,712	7,690,712
Solids recycling	8,373,100	8,211,750
	35,404,583	34,591,946
Technical management and support:		
Engineering services	3,247,822	2,156,632
Laboratory services	5,397,702	5,082,336
Support operation and maintenance	9,006,536	7,460,951
	17,652,060	14,699,919
Administrative and general	21,093,734	18,560,772
Depreciation and amortization expense	43,439,994	35,770,105
Total operating expenses	117,590,371	103,622,742
Operating income	11,166,601	23,551,350
Nonoperating revenues (expenses):		
Investment revenue	3,931,505	110,946
Interest expense	(21,751,909)	(15,210,068)
Intergovernmental revenue	3,476,704	3,364,291
Studies expense	(5,774,997)	(3,133,221)
Other revenue	264,747	265,203
Insurance proceeds	—	250,000
Other revenue (expense)	(311,865)	122,823
Net nonoperating revenue (expense)	(20,165,815)	(14,230,026)
Income (loss) before capital contributions	(8,999,214)	9,321,324
Capital contributions – sewer connection fees	59,490,896	54,064,758
Increase in net position	50,491,682	63,386,082
Net position, beginning of year	790,701,868	727,315,786
Net position, end of year	\$ 841,193,550	\$ 790,701,868

See accompanying notes to basic financial statements.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 127,900,292	\$ 126,410,358
Cash payments to employees	(41,189,903)	(39,138,718)
Cash payments to suppliers for goods and services	(40,052,556)	(33,878,085)
Other receipts	709,479	590,095
Net cash provided by operating activities	47,367,312	53,983,650
Cash flows from capital and related financing activities:		
Sewer connection fees	57,057,286	51,969,488
Acquisition and construction of capital assets	(71,053,464)	(76,393,911)
Principal paid on capital debt	(22,370,000)	(21,620,000)
Interest paid on capital debt	(26,763,551)	(27,809,549)
Proceeds received from insurance reimbursements	—	250,000
Proceeds from sale of capital assets	380,810	327,889
Net cash (used in) capital and related financing activities	(62,748,919)	(73,276,083)
Cash flows from noncapital financing activities:		
Intergovernmental revenue received	3,473,996	3,365,193
Net cash provided by noncapital financing activities	3,473,996	3,365,193
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	736,857,198	1,732,248,601
Purchase of investments	(687,336,642)	(1,762,282,540)
Interest and dividends received	3,419,949	2,793,563
Net cash provided by (used in) investing activities	52,940,505	(27,240,376)
Net increase (decrease) in cash and cash equivalents	41,032,894	(43,167,616)
Cash and cash equivalents, beginning of year	46,800,939	89,968,555
Cash and cash equivalents, end of year	\$ 87,833,833	\$ 46,800,939
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 11,166,601	\$ 23,551,350
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	43,439,994	35,770,105
Decrease in accounts receivable	24,562	54,236
(Increase) in inventory	(180,409)	(4,799)
(Increase) in prepaid expenses and other	(202,286)	(686,494)
Decrease in deferred outflows	1,281,608	1,547,831
Increase in accounts payable and other accrued liabilities	880,395	713,323
Increase in accrued payroll and compensated absences	80,109	275,370
(Decrease) in unearned revenue	(882,000)	(819,000)
Increase in net pension liability	(2,117,478)	240,457
(Decrease) in deferred inflows	1,911,680	(375,852)
Capitalized wages	(2,550,625)	(3,258,460)
Other (disbursements) receipts	(5,484,839)	(3,024,417)
Net cash provided by operating activities	\$ 47,367,312	\$ 53,983,650
Noncash investing, capital, and financing activities:		
Unrealized (gain) loss on investments	\$ (519,351)	\$ 2,582,836
Amortization of bond premium	(2,136,665)	(2,136,665)
(Gain) loss on retirement of capital assets	336,518	(280,252)

See accompanying notes to basic financial statements.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Pension Trust Fund

Statements of Fiduciary Net Position

December 31, 2017 and 2016

Assets	2017	2016
Investments, at fair value:		
Short-term investments	\$ 716,391	\$ 644,581
Public equity	41,154,164	43,236,028
Private equity	2,074,893	1,014,251
Fixed rate debt	15,816,571	6,887,064
Floating rate debt	5,938,420	4,449,842
Low volatility strategies	10,353,031	5,258,465
Liquid real assets	4,583,015	4,992,844
Real estate	<u>13,670,878</u>	<u>16,560,253</u>
Total assets	<u>94,307,363</u>	<u>83,043,328</u>
Liability		
Accrued administrative expenses	<u>46,184</u>	<u>38,202</u>
Net Position		
Restricted for pension benefits	<u>\$ 94,261,179</u>	<u>\$ 83,005,126</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, 2017 and 2016

	2017	2016
Additions:		
Investment income:		
Net appreciation in fair value of investments	\$ 10,512,310	\$ 5,017,816
Interest and dividend income	1,652,467	1,660,933
Less investment expense	(412,036)	(378,630)
Net investment income	11,752,741	6,300,119
Contributions from employer	4,756,434	4,228,249
Contributions from employees	1,560,619	1,636,552
Total additions	18,069,794	12,164,920
Deductions:		
Benefit payments	6,758,280	5,817,753
Administrative expenses	55,461	46,271
Total deductions	6,813,741	5,864,024
Net increase in plan position	11,256,053	6,300,896
Net position restricted for pension benefits:		
Beginning of year	83,005,126	76,704,230
End of year	\$ 94,261,179	\$ 83,005,126

See accompanying notes to basic financial statements.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(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.

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(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, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at acquisition 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:

	Estimated useful life in years
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

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

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.

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, 2017 and 2016, the District capitalized \$2,607,852 and \$10,206,941 in interest costs, respectively.

(e) Investments

The District's investments are carried at fair value based upon market quotations, with the exceptions of investments held in Money Market Funds and in the Colorado Surplus Asset Fund Trust (CSAFE), both of which are carried at amortized cost. 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. See Note 7(c)(iv) for additional information.

(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, 2017 and 2016, the District had loss reserves of \$250,000 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 \$6,388,458 and \$7,670,066 and deferred inflows of resources of \$2,748,418 and \$836,738 for December 31, 2017 and December 31, 2016, 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.

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

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.

(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, 2017 and 2016, accrued vacation and excess sick pay aggregated \$2,209,511 and \$2,242,016, 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.

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(m) *New and Future Accounting Pronouncements*

The Governmental Accounting Standards Board (GASB) implemented Statement No. 82, *Pension Issues – an amendment of GASB Statements no. 67, no. 68 and No. 73* (GASB No. 82), effective for the fiscal year ended December 31, 2017. GASB No. 82 addressed issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Defined Benefit Plan has adopted GASB 82. This statement updates information in various note disclosures and required supplementary information schedules.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75), and is effective for fiscal year 2018. The scope of this Statement addresses accounting and financial reporting for Postemployment Benefits Other Than Pensions that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The District is determining the impact to the financial statements for fiscal year 2018.

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(3) Cash and Investments

As of December 31, 2017 and 2016, the District and the Defined Benefit Plan had the following cash and investments:

	December 31,	
	2017	2016
District (excluding the Defined Benefit Plan):		
Cash and cash equivalents		
Deposits	\$ 576,516	\$ 105,369
Local government investment pool (CSAFE)	50,222,483	—
Money market government funds	—	41,070,020
Commercial paper, less than 90 days	1,998,640	4,988,550
Colorado Statewide Investment Pool	35,036,194	—
Investments		
U.S. Treasury Notes	22,114,948	—
U.S. Agency securities, including mortgage-backed securities	236,288,394	321,116,567
Certificates of Deposit	2,501,419	2,836,284
Corporate bonds	14,046,885	—
	\$ 362,785,479	\$ 370,116,790
Defined Benefit Plan:		
Short term investments	\$ 716,391	\$ 644,581
Public equity	41,154,164	43,236,028
Private equity	2,074,893	1,014,251
Fixed rate debt	15,816,571	6,887,064
Floating rate debt	5,938,420	4,449,842
Low volatility strategies	10,353,031	5,258,465
Liquid real assets	4,583,015	4,992,844
Real estate	13,670,878	16,560,253
	\$ 94,307,363	\$ 83,043,328

(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.

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**METRO WASTEWATER
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Notes to Basic Financial Statements

December 31, 2017 and 2016

(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.

(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 preservation of capital and protection of investment principal, maintenance of sufficient liquidity to meet the District's financial obligations, diversification to avoid incurring unreasonable market risks, and attainment of a market rate of return throughout budgetary and economic cycles. 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 global equity, debt, alternatives, and real estate investments. All securities and investments owned by the Defined Benefit Plan are in conformity with the investment policy.

(Continued)

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

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, 2017.

<u>Investment Type</u>	<u>Interim Target Allocation</u>	<u>Long-term Target Allocation</u>	<u>Target Range</u>
Public equity	43.00%	35.00%	30%-50%
Private equity	2.00%	10.00%	0%-15%
Fixed rate debt	19.00%	10.00%	5%-20%
Floating rate debt	6.00%	15.00%	5%-20%
Low volatility strategies	10.00%	10.00%	5%-15%
Liquid real assets	5.00%	5.00%	0%-10%
Real estate	15.00%	15.00%	10%-20%
	100.00%	100.00%	

(d) Credit Risk

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

As of December 31, 2017, the District invested \$14,046,885 in corporate bonds. The credit ratings for the corporate bonds are based on Standard and Poor’s rating scale, and were as follows: \$1,529,273 were rated AA-, \$3,473,230 were rated AA+, and \$7,071,130 were rated AAA. There were \$1,973,252 of corporate bonds not rated by Standard and Poor’s, but rated AAA by Moody’s.

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The following is a summary of the Defined Benefit Plan's debt investments at December 31, 2017 and December 31, 2016 with average credit ratings of underlying investments based on Standard & Poor's rating scale:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Pacific Investment Management Company (PIMCO):		
Total return retirement fund – Institutional class shares		
Fair value	\$ —	\$ 3,053
Average rating of underlying investments	n/a	AA-
Western Asset Management Core Plus Bond Fund IS		
Fair value	\$ 3,697,222	\$ 3,004,259
Average rating	Not rated	Not rated
JP Morgan Core Bond Fund		
Fair value	\$ 12,119,349	\$ 3,879,752
Average rating	Not rated	Not rated
Bain Senior Loan Fund		
Fair value	\$ 4,660,429	\$ 4,449,842
Average rating	Not rated	Not rated
Golub Capital Partners International 11, L.P.		
Fair value	\$ 600,000	\$ —
Average rating	Not rated	n/a
Principal Real Estate Debt Fund II		
Fair value	\$ 677,991	\$ —
Average rating	Not rated	n/a
First American Money Market Government Obligations Fund		
Fair value	\$ 716,391	\$ 644,581
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's investment policy and bond indenture agreements restrict investments in U.S. Agency issuers to the three listed below:

	Moody's Investor Service	Standard & Poor's
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:

Issuer	December 31,			
	2017		2016	
	Amount	Percentage of portfolio	Amount	Percentage of portfolio
FHLB	\$ 77,161,213	21.30%	\$ 90,614,355	24.49%
FHLMC	123,847,825	34.19	158,975,976	42.85
FNMA	35,279,356	9.74	71,526,236	19.30
	\$ 236,288,394		321,116,567	

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, 2017 and 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, 2017 and 2016, the duration for the District's investments was as follows:

<u>Type</u>	<u>December 31, 2017</u>		
	<u>Fair value</u>	<u>Duration in Years</u>	<u>Call options at 100</u>
U.S. Agency securities	\$ 236,288,394	1.92	\$ 187,076,874
U.S. Treasury Notes	22,114,948	3.96	
Corporate Bonds	14,046,885	2.65	
Commercial Paper, less than 90 days	1,998,640	—	
Certificates of Deposit	2,501,419	—	
Colorado Statewide Investment Pool	35,036,194	—	
Total fair value	<u>\$ 311,986,480</u>		

<u>Type</u>	<u>December 31, 2016</u>		
	<u>Fair value</u>	<u>Duration in Years</u>	<u>Call options at 100</u>
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	<u>\$ 328,941,401</u>		

As of December 31, 2017, the District invested \$50,222,483 in Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local governments in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund, and each share is equal in value to \$1.00, and are rated AAAM by Standard and Poor's rating scale. The weighted average maturity of these investments was fewer than 32 days. As of December 31, 2016, the District invested \$41,707,020 in money market government funds, with a weighted average maturity of fewer than 30 days.

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The Defined Benefit Plan's investment policy manages its exposure to fair value losses arising from rising interest rates by specific guidelines for debt managers. As of December 31, 2017 and 2016, the Defined Benefit Plan held the following debt investments.

	December 31,	
	2017	2016
Pacific Investment Management Company (PIMCO)		
Total Return Retirement Fund – Institutional class shares		
Balance	\$ —	\$ 3,053
Modified duration (in years)	n/a	5.6
Western Asset Management Core Plus Bond Fund IS		
Balance	\$ 3,697,222	\$ 3,004,259
Modified duration (in years)	12.6	6.6
JP Morgan Core Bond Fund		
Balance	\$ 12,119,349	\$ 3,879,752
Modified duration (in years)	7.4	5.4
Bain Senior Loan Fund		
Balance	\$ 4,660,429	\$ 4,449,842
Modified duration (in years)	0.2	0.4
Golub Capital Partners International 11, L.P.		
Balance	\$ 600,000	\$ —
Modified duration (in years)	not available	n/a
Principal Real Estate Debt Fund II		
Balance	\$ 677,991	\$ —
Modified duration (in years)	2.1	n/a

Investments in money market funds of \$716,391 and \$644,581 as of December 31, 2017 and 2016, respectively, have an average maturity of fewer than 26 and 50 days, respectively.

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(h) Foreign Currency Risk

The District was not exposed to foreign currency risk as of December 31, 2017 and 2016. For 2017 and 2016, the Defined Benefit Plan's investments managed exposure to foreign currency risk by limiting the allocation percentage of interest of global equity investments to 23.0%. The global equities in which the Defined Benefit Plan has invested have a fair value of \$21,175,812 and \$16,076,561, or 22.5% and 19.4% of the total portfolio at December 31, 2017 and 2016, respectively. Each fund is valued in U.S. dollars with exposure to various worldwide currencies.

(i) Investment Income

Investment income for the District, excluding the Defined Benefit Plan, for the years ended December 31, 2017 and 2016 was comprised of the following:

	December 31,	
	2017	2016
Investment income	\$ 4,049,793	\$ 4,105,352
Net realized (loss) on investments	(637,639)	(1,411,570)
Net unrealized gain (loss) on investments	519,351	(2,582,836)
Total	\$ 3,931,505	\$ 110,946

Investment income for the Defined Benefit Plan for the years ended December 31, 2017 and 2016 was comprised of the following:

	December 31,	
	2017	2016
Interest and dividend income	\$ 1,652,467	\$ 1,660,933
Net realized gain on investments	5,657,384	3,908,607
Net unrealized gain on investments	4,854,926	1,109,209
	12,164,777	6,678,749
Less investment expense	(412,036)	(378,630)
Net investment income	\$ 11,752,741	\$ 6,300,119

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.

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Notes to Basic Financial Statements

December 31, 2017 and 2016

(j) **Fair Value**

The District and the Defined Benefit Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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 assets in markets that are not active or other quoted prices that are not observable. For investments categorized at Level 3, prices are determined using inputs that are not observable.

The District has the following recurring fair value measurements as of December 31, 2017 and 2016:

For December 31, 2017:

Investments Measured at Fair Value

	12/31/2017	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	\$ 236,288,394	\$ 236,288,394	\$ -	\$ -
U.S. Treasury notes	22,114,948	22,114,948	-	-
Commercial paper, less than 90 days	1,998,640	-	1,998,640	-
Certificates of deposit	2,501,419	-	2,501,419	-
Corporate bonds	14,046,885	14,046,885	-	-
Total investments measured at fair value level	<u>276,950,286</u>	<u>272,450,227</u>	<u>4,500,059</u>	<u>-</u>
Investments measured at the net asset value (NAV)				
Colorado statewide investment pool	35,036,194			
Investments held at amortized cost				
LGIP - CSAFE	<u>50,222,483</u>			
Total investments measured at fair value	<u>\$ 362,208,963</u>			

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

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				
U.S. Agency securities	\$ 319,959,872	\$ 319,959,872	\$ -	\$ -
Commerical 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	<u>328,941,401</u>	<u>319,959,872</u>	<u>8,981,529</u>	<u>-</u>
Investments measured at amortized cost				
Money market funds	<u>41,707,020</u>			
Total investments measured at fair value	<u>\$ 370,648,421</u>			

For investments measured at the Net Asset Value (NAV), the District invested in the Colorado Statewide Investment Program, an investment program that provides Colorado local governments with tools for meeting their cash flow and investment needs. Investments are offered through the Colorado Statewide Investment Pool (“CSIP”), a local government investment pool authorized under 24-75-701 et. Seq. of the Colorado Revised Statutes. Currently, CSIP offers two investment options, 1) CSIP Liquid Portfolio and 2) CSIP Term Portfolio. The CSIP Liquid Portfolio is a fully liquid, variable rate investment option, rated AAAM by Standard and Poor’s. There are no unfunded commitments, the redemption frequency is daily and there is a one-day redemption notice. The CSIP Term Portfolio offers the ability for participants to invest in shares of fixed-rate, fixed-term investments, rated AA Af by Fitch Ratings. There are no unfunded commitments, the redemption period is planned at maturity, and the redemption period is a sixty-day minimum and one-year maximum.

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The Defined Benefit Plan has the following recurring fair value measurements as of December 31, 2017:

Investments Measured at Fair Value

	12/31/2017	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				
Public equity	\$ 35,958,960	\$ -	\$ 35,958,960	\$ -
Fixed rate debt	15,816,571	-	15,816,571	-
Liquid real assets	4,583,015	4,583,015	-	-
Total investments measured at fair value level	<u>56,358,546</u>	<u>4,583,015</u>	<u>51,775,531</u>	<u>-</u>
Investments measured at the net asset value (NAV)				
Public equity	5,195,204			
Private equity	2,074,893			
Floating rate debt	5,938,420			
Low volatility strategies	10,353,031			
Real estate	13,670,878			
Total investment measured at the NAV	<u>37,232,426</u>			
Total investments measured at fair value	<u>93,590,972</u>			
Investments measured at amortized cost				
Money market funds	716,391			
Total investments	<u>\$ 94,307,363</u>			

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The Defined Benefit Plan has the following recurring fair value measurements as of 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				
Public equity	\$ 38,985,466	\$ -	\$ 38,985,466	\$ -
Fixed rate debt	6,887,064	-	6,887,064	-
Liquid real assets	4,992,844	4,992,844	-	-
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)				
Public equity	4,250,562			
Private equity	1,014,251			
Floating rate debt	4,449,842			
Low volatility strategies	5,258,465			
Real estate	<u>12,504,715</u>			
Total investment measured at the NAV	<u>27,477,835</u>			
Total investments measured at fair value	<u>82,398,747</u>			
Investments measured at amortized cost				
Money market funds	644,581			
Total investments	<u>\$ 83,043,328</u>			

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The valuation method for the Defined Benefit Plan's investments at December 31, 2017 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
Public equity (1)	\$ 5,195,204		daily	n/a
Private equity (2)	2,074,893	\$ 2,661,000	n/a	n/a
Floating rate debt (3)	5,938,420	4,726,562	monthly, n/a, n/a	30 days, n/a, n/a
Low volatility strategies (4)	10,353,031		semi-annually, monthly	95 days, 5 days
Real estate (5)	13,670,878		daily based on liquidity	1 day
	<u>\$ 37,232,426</u>			

The valuation method for the Defined Benefit Plan's investments at December 31, 2016 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
Public equity (1)	\$ 4,250,562		daily	n/a
Private equity (2)	1,014,251	\$ 3,636,000	n/a	n/a
Floating rate debt (3)	4,449,842	4,000,000	monthly, n/a	30 days, n/a
Low volatility strategies (4)	5,258,465		semi-annually	95 days
Real estate (5)	12,504,715		daily based on liquidity	1 day
	<u>\$ 27,477,835</u>			

(1) In this category, 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) There are two investments in this category. One 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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**METRO WASTEWATER
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The second 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.

- (3) There are three investments in the floating rate debt category. The first is a fixed income fund that 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.

The second investment is a fund that invests in higher yielding private commercial real estate debt investments, including subordinate debt investments, such as mezzanine debt, 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.

The third investment is a fund that invests primarily in senior secured, floating rate middle market loans. Distributions of net income will be made on a quarterly basis, or more frequently at the General Partner's discretion. It is expected that the underlying assets of the fund would be liquidated over 10 years.

- (4) There are two investments in the low volatility strategy category. The first 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' notice on June 30 or December 31. The fund is open-ended.

The second investment's objective is to provide a defensive equity exposure that is expected to provide favorable risk adjusted performance relative to the S&P 500® Index over the long term, and is expected to produce the strongest relative performance when the S&P 500® Index is experiencing negative returns. Funds may be withdrawn with 5 days' notice monthly. The fund is open-ended.

- (5) This 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.

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(4) Capital Assets

For the years ended December 31, 2017 and 2016, changes in capital assets consisted of the following:

	Balance at December 31, 2015	Additions	Deletions or transfers	Balance at December 31, 2016	Additions	Deletions or transfers	Balance at December 31, 2017
Nondepreciable:							
Land and water rights	\$ 42,137,510	79,510	—	\$ 42,217,020	—	—	\$ 42,217,020
Construction in progress	338,121,960	81,483,296	(370,928,051)	48,677,205	67,324,774	(19,791,083)	96,210,896
Total nondepreciable net assets	<u>380,259,470</u>	<u>81,562,806</u>	<u>(370,928,051)</u>	<u>90,894,225</u>	<u>67,324,774</u>	<u>(19,791,083)</u>	<u>138,427,916</u>
Depreciable:							
Plant in service:							
Transmission	277,771,333	15,825,459	—	293,596,792	1,183,722	(2,325,972)	292,454,542
Treatment	239,377,440	14,284,366	—	253,661,806	1,527,193	(972,807)	254,216,192
Solids processing	39,345,275	56,276	—	39,401,551	—	(1,798,570)	37,602,981
Solids recycling	7,053,070	(25,725)	—	7,027,345	—	—	7,027,345
Support	103,712,420	179,613,334	—	283,325,754	12,770,884	(86,257)	296,010,381
	<u>667,259,538</u>	<u>209,753,710</u>	<u>—</u>	<u>877,013,248</u>	<u>15,481,799</u>	<u>(5,183,606)</u>	<u>887,311,441</u>
Equipment:							
Plant	305,506,525	156,489,238	(14,170)	461,981,593	3,144,414	(7,696,861)	457,429,146
Support	60,051,160	1,937,034	(731,528)	61,256,666	1,703,769	(4,375,975)	58,584,460
Vehicles	15,442,910	1,992,149	(1,144,231)	16,290,828	2,612,302	(1,563,265)	17,339,865
	<u>381,000,595</u>	<u>160,418,421</u>	<u>(1,889,929)</u>	<u>539,529,087</u>	<u>7,460,485</u>	<u>(13,636,101)</u>	<u>533,353,471</u>
Total depreciable capital assets	<u>1,048,260,133</u>	<u>370,172,131</u>	<u>(1,889,929)</u>	<u>1,416,542,335</u>	<u>22,942,284</u>	<u>(18,819,707)</u>	<u>1,420,664,912</u>
Less accumulated depreciation:							
Plant in service:							
Transmission	106,061,159	6,386,702	—	112,447,861	6,222,928	(2,325,972)	116,344,817
Treatment	52,830,795	5,140,832	—	57,971,627	5,078,895	(794,183)	62,256,339
Solids processing	22,308,137	800,336	—	23,108,473	1,064,776	(1,637,704)	22,535,545
Solids recycling	3,263,038	154,065	—	3,417,103	158,648	—	3,575,751
Support	43,461,946	4,108,282	—	47,570,228	7,067,513	(86,257)	54,551,484
	<u>227,925,075</u>	<u>16,590,217</u>	<u>—</u>	<u>244,515,292</u>	<u>19,592,760</u>	<u>(4,844,116)</u>	<u>259,263,936</u>
Equipment:							
Plant	120,410,455	14,229,885	(14,170)	134,626,170	18,507,080	(7,441,027)	145,692,223
Support	36,526,099	3,895,774	(716,146)	39,705,727	4,116,359	(4,360,428)	39,461,658
Vehicles	9,808,967	1,054,229	(1,111,973)	9,751,223	1,223,795	(1,456,810)	9,518,208
	<u>166,745,521</u>	<u>19,179,888</u>	<u>(1,842,289)</u>	<u>184,083,120</u>	<u>23,847,234</u>	<u>(13,258,265)</u>	<u>194,672,089</u>
Total accumulated depreciation	<u>394,670,596</u>	<u>35,770,105</u>	<u>(1,842,289)</u>	<u>428,598,412</u>	<u>43,439,994</u>	<u>(18,102,381)</u>	<u>453,936,025</u>
Total capital assets, net	<u>\$ 1,033,849,007</u>	<u>415,964,832</u>	<u>(370,975,691)</u>	<u>\$ 1,078,838,148</u>	<u>46,827,064</u>	<u>(20,508,409)</u>	<u>\$ 1,105,156,803</u>

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(5) Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2017 is as follows:

	<u>December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2017</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 618,786,211	\$ —	\$ (24,506,665)	\$ 594,279,546	\$ 23,160,000
Compensated absences	<u>2,242,016</u>	<u>401,745</u>	<u>(434,250)</u>	<u>2,209,511</u>	<u>116,282</u>
Total noncurrent liabilities	<u>\$ 621,028,227</u>	<u>\$ 401,745</u>	<u>\$ (24,940,915)</u>	<u>\$ 596,489,057</u>	<u>\$ 23,276,282</u>

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>

(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>2017</u>	<u>2016</u>
2009A Sewer Improvement Bonds	08/27/09	\$ 62,620,000	\$ 13,675,000	\$ 26,745,000
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	361,585,000	370,885,000
Plus premium on 2009A Bonds			197,285	986,424
Plus premium on 2012A Bonds			<u>31,442,261</u>	<u>32,789,787</u>
Total			<u>\$ 594,279,546</u>	<u>\$ 618,786,211</u>

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**METRO WASTEWATER
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Notes to Basic Financial Statements

December 31, 2017 and 2016

Principal and interest requirements on all outstanding bonds are summarized as follows at December 31, 2017:

	Principal		Interest		Total
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	26,275,000		20,738,658		47,013,658
2023-2027	146,255,000		81,238,686		227,493,686
2028-2032	111,440,000		45,729,196		157,169,196
2033-2037	90,660,000		27,577,400		118,237,400
2038-2041	90,745,000		7,486,300		98,231,300
	<u>562,640,000</u>	\$	<u>278,405,123</u>	\$	<u>841,045,123</u>
Unamortized premiums	31,639,546				
	<u>\$ 594,279,546</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 \$3,476,704 and \$3,364,291 from the United States Treasury for the fiscal years ended December 31, 2017 and December 31, 2016 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, 2017 and 2016, the management of the District believes they are in substantive compliance with these requirements.

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**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(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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**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016, the Defined Benefit Plan's membership consisted of the following:

	2017	2016
Retirees and beneficiaries eligible to receive benefits as of December 31	204	186
Terminated employees entitled to, but not yet receiving, benefits	156	157
Active plan members	247	272
Total	607	615

(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**

Employee contributions to the Defined Benefit Plan were prohibited from 1979 to July 2007. However, changes to the Defined Benefit Plan, effective July 8, 2007, require employee contributions, which range from 1% in 2007 to 7% in 2015 and beyond. The payroll for employees covered by the Defined Benefit Plan for the years ended December 31, 2017 and 2016 was \$22,351,010 and \$23,323,075, respectively. The District's total payroll for the years ended December 31, 2017 and 2016 was \$30,430,022 and \$29,426,219 respectively

During 2017 and 2016, contributions made by the District totaled \$4,756,434 and \$4,228,249, respectively. Employee contributions to the Defined Benefit Plan totaled \$1,560,619 and \$1,636,552, respectively.

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(iii) Valuation of Investments

The Defined Benefit Plan is a noninsured trust retirement plan, with a bank or trust company authorized to exercise trust powers in Colorado as trustee. As such, the Plan's assets are invested using the "Colorado Uniform Prudent Investor Act" found in the provisions of Part 3 of Article 1 of Title 15, C.R.S.

The Defined Benefit Plan assets are invested and managed as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances. In satisfying this standard, all fiduciaries shall exercise reasonable care, skill, and caution. Investment decisions should be evaluated within the context of the entire portfolio (rather than on an individual investment basis) and as part of an overall investment strategy having risk and return objectives reasonably suited to the Retirement Plan's purpose.

Separate accounts, mutual funds, and other investment vehicles may be used based upon the most favorable approach for the Plan's circumstances, assuming the vehicle meets the Fiduciary Standard and specific guidelines for the manager. It is recognized that if a pooled fund is used, the fund's investment manager, rather than the Defined Benefit Plan, sets the fund's investment policies, strategies, objectives, guidelines, and restrictions.

Mutual funds are recorded at quoted market prices at December 31, 2017 and 2016. The underlying properties held within the real estate fund, Principal U.S. Property account, are appraised annually and financial statements are audited by an internationally recognized accounting firm. The Defined Benefit Plan invests funds in the Fidelity Institutional Small/Mid Cap Core Commingled Pool, an institutional class investment that is valued monthly. The pool's fair value is based on the market values of the underlying publicly traded equities that make up the pool. The Defined Benefit Plan also invests in a low volatility strategies, liquid real assets, and floating rate debt funds, which is valued monthly, and private equity funds, which are valued quarterly. These investments are valued at their fair value as determined by the custodian under the direction of the Defined Benefit Plan with the assistance of an independent consultant.

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**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(d) Net Pension Liability

The District's net pension liability was measured as of December 31, 2017 and 2016, 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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes in Net Pension Liability			
Balances as of December 31, 2015	\$ 114,296,840	\$ 76,704,230	\$ 37,592,610
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>
Changes for the year:			
Service cost	2,054,219		2,054,219
Interest on total pension liability	8,968,077		8,968,077
Effect of plan changes	—		—
Effect of economic/demographic gains or losses	1,588,268		1,588,268
Effect of assumptions changes or inputs	3,286,291		3,286,291
Benefit payments	(6,758,280)	(6,758,280)	—
Employer contributions		4,756,434	(4,756,434)
Member contributions		1,560,619	(1,560,619)
Net investment income		11,752,741	(11,752,741)
Administrative expenses		(55,461)	55,461
Balances as of December 31, 2017	<u>\$ 129,976,768</u>	<u>\$ 94,261,179</u>	<u>\$ 35,715,589</u>

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

ii) Actuarial assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2017 and 2016 were based on the results of an actuarial experience study for the period 2010-2014:

	December 31,	
	2017	2016
Actuarial valuation date	January 1, 2018	January 1, 2017
Measurement date	December 31, 2017	December 31, 2016
Inflation	2.50%	2.50%
Salary increases,	Graded by age	Graded by age
	RP-2000 projected to 2023 for annuitants and 2031 for non-annuitants using Scale BB	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	7.25%	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 as of December 31, 2017, calculated using the discount rate of 7.25%, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	December 31, 2017		
	1% Decrease	Current Discount	1% Increase
	6.25%	Rate 7.25%	8.25%
Net pension liability	\$ 50,275,637	\$ 35,715,589	\$ 23,318,688

The following presents the net pension liability of the District as of December 31, 2016, 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:

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

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

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, 2017. The long-term expected rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Public Equity	35%	4.9%
Private Equity	10%	8.8%
Fixed Rate Debt	10%	1.8%
Floating Rate Debt	15%	2.6%
Low Volatility Strategies	10%	2.0%
Liquid Real Assets	5%	4.2%
Real Estate	15%	3.8%

v) Discount rate

The discount rates used to measure the total pension liability was 7.25% and 7.5% for the years ended December 31, 2017 and December 31, 2016, respectively. 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, 2017 and 2016, the District recognized pension expense of \$5,832,244 and \$5,640,685, respectively. At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

	December 31, 2017	
	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (460,886)	\$ 2,073,269
Changes of assumptions	—	4,315,189
Net difference between projected and actual earnings	(2,287,532)	—
Total	\$ (2,748,418)	\$ 6,388,458
	December 31, 2016	
	Deferred (Inflows) of Resources	Deferred Outflows of Resources
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	\$ (836,738)	\$ 7,670,066

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:

2018	\$	2,522,203
2019		2,337,238
2020		(110,271)
2021		(1,109,130)
2022		—
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 Defined Contribution Plan. Employees in the 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, 2017 and 2016 there were 127 and 106 plan members. The District's contributions for the years ended December 31, 2017 and 2016 were \$464,658 and \$339,858, respectively.

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**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(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.

(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.

	December 31,	
	2017	2016
Annual required contribution	\$ 846,891	\$ 846,891
Interest on OPEB liability	169,460	151,328
Adjustment to annual contribution	(244,295)	(218,156)
Annual OPEB cost	772,056	780,063
Contribution made	(335,984)	(296,535)
Increase in OPEB liability	436,072	483,528
Net OPEB liability, beginning of year	4,518,937	4,035,409
Net OPEB liability, end of year	\$ 4,955,009	\$ 4,518,937

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**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(d) *Three-Year Trend Information*

<u>Year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage contributed</u>	<u>Net OPEB obligation</u>
December 31, 2015	\$ 824,371	37.1%	\$ 4,035,409
December 31, 2016	780,063	38.0	4,518,937
December 31, 2017	772,056	43.5	4,955,009

(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.

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, 2017 and December 31, 2016 are as follows:

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

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**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

(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, 2017 and 2016, the District's connectors and related revenue consisted of the following:

<u>Classification</u>	<u>Year ended December 31, 2017</u>		<u>Year ended December 31, 2016</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Member municipalities	22	\$ 114,212,472	22	\$ 112,235,054
Special connectors	28	12,793,861	28	12,280,959
	<u>50</u>	<u>\$ 127,006,333</u>	<u>50</u>	<u>\$ 124,516,013</u>

(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:

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

	December 31,	
	2017	2016
90 day expense reserve plus \$1 million	\$ 20,845,143	\$ 19,755,726
Sewer connection charge reserve	25,000,000	25,000,000
Total designated amount	\$ 45,845,143	\$ 44,755,726

(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, 2017 and 2016, 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 2017 basic financial statements.

As of December 31, 2017, the District had various commitments totaling approximately \$114.8 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 29.6% of this total, is the South Headworks and Grease Processing Improvements, with remaining costs of \$34.0 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).

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.

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2017 and 2016

Previously, 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 \$104,700 and \$105,000 in 2017 and 2016, respectively, in the monitoring efforts. The District did not incur outside legal counsel costs during 2017 and 2016.

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. The District signed a First Amendment to Access and License Agreement with Suncor in December 2017, extending the original terms of the Access Agreement through December 15, 2022. 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 \$265,000 in 2017 and 2016, respectively.

(b) *Enviro Tech Chemical Services, Inc.*

In September 2017, the Metro District entered into an agreement with Enviro Tech Chemical Services, Inc. (Contractor), for Peracetic Acid Pilot Program Services. The two-year term of the agreement completes by October 31, 2019. The contract may be extended for a period of one year from November 1, 2019 through October 31, 2020, if mutually agreed upon. The value of the agreement for all services rendered under the agreement is \$407,777, broken into three main components, (1) Equipment and equipment rental cost for a two-year pilot duration, (2) Services, and (3) Maintenance. During January 2018, Enviro Tech Chemical delivered and installed the equipment, and began providing services under the contract terms.

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

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

**METRO WASTEWATER
RECLAMATION DISTRICT
RETIREMENT PLAN**

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
December 31, 2017

	Fiscal Year Ending December 31								
	2017	2016	2015	2014	2012	2011	2010	2009	2008
Total Pension Liability									
Service Cost	\$ 2,054,219	\$ 2,118,343	\$ 2,300,707	\$ 2,440,541	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	8,968,077	8,516,917	8,048,386	7,836,723	N/A	N/A	N/A	N/A	N/A
Effect on plan changes	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Effect of economic /demographic (gains) or losses	1,588,268	1,723,846	(113,453)	(1,826,177)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	3,286,291	-	5,444,418	-	N/A	N/A	N/A	N/A	N/A
Benefit payments	(6,758,280)	(5,817,753)	(5,757,870)	(5,408,869)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	9,138,575	6,541,353	9,922,188	3,042,218	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	120,838,193	114,296,840	104,374,652	101,332,434	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 129,976,768	\$ 120,838,193	\$ 114,296,840	\$ 104,374,652	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position									
Employer contributions	\$ 4,756,434	\$ 4,228,249	\$ 4,722,308	\$ 4,679,000	N/A	N/A	N/A	N/A	N/A
Member contributions	1,560,619	1,636,552	1,631,561	1,421,235	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	11,752,741	6,300,119	(244,970)	5,461,900	N/A	N/A	N/A	N/A	N/A
Benefit payments	(6,758,280)	(5,817,753)	(5,757,870)	(5,408,869)	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(55,461)	(46,271)	(62,749)	(51,140)	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	11,256,053	6,300,896	288,280	6,102,126	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	83,005,126	76,704,230	76,415,950	70,313,824	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ 94,261,179	\$ 83,005,126	\$ 76,704,230	\$ 76,415,950	N/A	N/A	N/A	N/A	N/A
Net pension liability, ending = (a) - (b)	\$ 35,715,589	\$ 37,833,067	\$ 37,592,610	\$ 27,958,702	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	72.52%	68.69%	67.11%	73.21%	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$ 22,351,010	\$ 23,323,075	\$ 23,834,625	\$ 25,353,510	N/A	N/A	N/A	N/A	N/A
Net pension liability as of % of covered payroll	159.79%	162.21%	157.72%	110.28%	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, 2017

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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%
2017	5,019,996	4,756,434	263,562	22,351,010	21.28%

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 10 year period, closed period

Asset valuation method Five year non-asymptotic

Inflation 2.50%

Salary increases Graded by age

Investment rate of return 7.25%

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, 2017

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded ratio (a)/(b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b)-(a))/(c)
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

**METRO WASTEWATER
RECLAMATION DISTRICT**
Supplementary Information –
Schedule of Revenue and Expenses
Budget and Actual
Year ended December 31, 2017

	<u>Year-to-date Actual</u>	<u>Budget Revised 2017</u>	<u>Variance – Favorable (Unfavorable)</u>
Operating revenue:			
Annual charges to connectors	\$ 127,006,333	\$ 127,006,333	\$ —
Septic charge revenue	78,866	114,000	(35,134)
Other operating income	1,671,773	1,740,000	(68,227)
	<u>128,756,972</u>	<u>128,860,333</u>	<u>(103,361)</u>
Operating expenses:			
Operations and maintenance:			
Wastewater transmission	1,558,010	1,893,163	335,153
Wastewater treatment	16,763,416	16,122,298	(641,118)
Solids processing	8,318,875	9,678,353	1,359,478
Solids recycling	8,243,852	7,801,591	(442,261)
Technical management and support	17,176,701	18,038,802	862,101
Administrative and general	20,577,641	20,683,027	105,386
	<u>72,638,495</u>	<u>74,217,234</u>	<u>1,578,739</u>
Operating revenue in excess of expenses (excluding depreciation)	<u>56,118,477</u>	<u>54,643,099</u>	<u>1,475,378</u>
Nonoperating revenue:			
Interest	3,569,889	3,611,315	(41,426)
Other	3,924,732	—	3,924,732
Total nonoperating revenue	<u>7,494,621</u>	<u>3,611,315</u>	<u>3,883,306</u>
Nonoperating expenses:			
Capital (operations and management)	446,276	529,950	83,674
Debt service	49,133,550	49,133,550	—
	<u>49,579,826</u>	<u>49,663,500</u>	<u>83,674</u>
Revenue over expenses	14,033,272	\$ 8,590,914	\$ 5,442,358
Reconciliation to change in net position:			
Add:			
Sewer connection fees	59,490,896		
Capital outlay	446,276		
Debt service	49,133,550		
Capital asset, sewer and A&C interest	(157,734)		
Net decrease in the fair value of investments	519,350		
Deduct:			
Depreciation	(43,439,994)		
Interest expense included in debt service above	(21,751,909)		
Nonoperating expenses	(6,270,143)		
OPEB liability	(436,072)		
Employer contribution expense	4,756,434		
Pension expense	(5,832,244)		
Increase in net position	<u>\$ 50,491,682</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, 2017

	<u>Year-to-date Actual</u>	<u>Budget Revised 2017</u>	<u>Variance – Favorable (Unfavorable)</u>
Operations and maintenance:			
Wastewater transmission:			
Personnel	\$ 1,157,829	\$ 1,347,505	\$ 189,676
Materials and fuel	254,622	262,000	7,378
Chemicals	—	—	—
Utilities	133,151	251,658	118,507
Outside services	12,408	32,000	19,592
	<u>1,558,010</u>	<u>1,893,163</u>	<u>335,153</u>
Wastewater treatment:			
Personnel	7,764,524	7,777,480	12,956
Materials and fuel	1,704,130	969,500	(734,630)
Chemicals	1,841,256	1,609,500	(231,756)
Utilities	4,997,205	5,555,314	558,109
Outside services	401,913	147,504	(254,409)
Support services	54,388	63,000	8,612
	<u>16,763,416</u>	<u>16,122,298</u>	<u>(641,118)</u>
Solids processing:			
Personnel	1,688,782	2,441,378	752,596
Materials and fuel	885,467	754,500	(130,967)
Chemicals	3,402,196	4,042,000	639,804
Utilities	1,011,149	975,975	(35,174)
Outside services	1,331,281	1,464,500	133,219
	<u>8,318,875</u>	<u>9,678,353</u>	<u>1,359,478</u>
Solids recycling:			
Personnel	3,872,922	3,718,836	(154,086)
Materials and fuel	1,093,861	1,116,615	22,754
Chemicals	1,873,571	1,240,090	(633,481)
Utilities	35,789	27,500	(8,289)
Outside services	1,367,709	1,698,550	330,841
	<u>8,243,852</u>	<u>7,801,591</u>	<u>(442,261)</u>
Total operations and maintenance	<u>34,884,153</u>	<u>35,495,405</u>	<u>611,252</u>

See accompanying independent auditors' report

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Supplementary Information –
Schedule of Operating Expenses

Budget and Actual

Year ended December 31, 2017

	<u>Year-to-date Actual</u>	<u>Budget Revised 2017</u>	<u>Variance – Favorable (Unfavorable)</u>
Technical management and support:			
Operations and maintenance:			
Personnel (1)	2,493,877	3,064,785	570,908
Materials and fuel	987,948	947,500	(40,448)
Outside services	1,343,901	1,171,000	(172,901)
Support expenses	53,374	54,680	1,306
	<u>4,879,100</u>	<u>5,237,965</u>	<u>358,865</u>
Resource recovery and reuse:			
Personnel	1,650,858	1,179,224	(471,634)
Materials and fuel	416,903	369,155	(47,748)
Utilities	1,559,027	351,282	(1,207,745)
Outside services	314,295	301,450	(12,845)
Support expenses	41,539	46,550	5,011
	<u>3,982,622</u>	<u>2,247,661</u>	<u>(1,734,961)</u>
Laboratory:			
Personnel	4,190,762	4,273,268	82,506
Materials and fuel	750,651	749,112	(1,539)
Outside services	267,818	258,815	(9,003)
Support expenses	39,577	48,466	8,889
	<u>5,248,808</u>	<u>5,329,661</u>	<u>80,853</u>
Engineering:			
Personnel (1)	2,958,104	5,112,515	2,154,411
Materials and fuel	9,829	19,000	9,171
Outside services	51,623	53,000	1,377
Support expenses	46,615	39,000	(7,615)
	<u>3,066,171</u>	<u>5,223,515</u>	<u>2,157,344</u>
Total technical management and support	<u>17,176,701</u>	<u>18,038,802</u>	<u>862,101</u>

See accompanying independent auditors' report

(Continued)

**METRO WASTEWATER
RECLAMATION DISTRICT**

Supplementary Information –
Schedule of Operating Expenses

Budget and Actual

Year ended December 31, 2017

	<u>Year-to-date Actual</u>	<u>Budget Revised 2017</u>	<u>Variance – Favorable (Unfavorable)</u>
Administrative and general:			
Personnel (1)	14,453,720	14,662,330	208,610
Materials and fuel	695,916	703,000	7,084
Outside services	3,010,562	2,880,684	(129,878)
Support expenses	<u>2,417,443</u>	<u>2,437,013</u>	<u>19,570</u>
Total administrative and general	<u>20,577,641</u>	<u>20,683,027</u>	<u>105,386</u>
Total operating system	72,638,495	74,217,234	1,578,739
Capital outlay	<u>446,276</u>	<u>529,950</u>	<u>83,674</u>
Total District system	<u>\$ 73,084,771</u>	<u>\$ 74,747,184</u>	<u>\$ 1,662,413</u>

- (1) Personnel has been decreased by \$2,550,625 to reflect staff costs relating to capital projects that were capitalized during 2017.
- (2) See Schedule 1 for reconciling expenses

See accompanying independent auditors' report

STATISTICAL SECTION

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.

	<u>Page</u>
<u>Financial Trends</u>	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>	
<u>Revenue Capacity</u>	III-7
<p>These schedules contain information to help the reader assess the District's most significant revenue sources</p>	
<u>Debt Capacity</u>	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>	
<u>Demographic and Economic Information</u>	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>	
<u>Operating Information</u>	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)

	Fiscal Year									
	2017	2016	2015	2014⁽²⁾	2013	2012⁽¹⁾	2011⁽¹⁾	2010	2009	2008
Enterprise Fund:										
Net Investment in capital assets	\$ 510,877,257	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
Restricted	29,921,766	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
Unrestricted	300,394,527	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
Total Enterprise Fund net position	\$ <u>841,193,550</u>	<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>

(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)

Fiscal Year	Operating revenue	Operating expenses	Operating income	Nonoperating revenues/ expenses	Income/Loss before capital contributions	Capital contributions and special items (1)	Change in net position
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
2017	128,756,972	117,590,371	11,166,601	(20,165,815)	(8,999,214)	59,490,896	50,491,682

- (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)

Fiscal Year	Annual charges to connectors	Other operating revenue	Sewer connection fees	Investment income	Other nonoperating revenue and special items	Total revenue
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
2017	127,006,333	1,750,639	59,490,896	3,931,505	3,741,451	195,920,824

(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>
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
2017	1,602,792	17,027,979	8,400,712	8,373,100	3,247,822	5,397,702	9,006,536	21,093,734	43,439,994	117,590,371	27,838,771	145,429,142

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

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.

Approximately \$2,551,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2017.

**METRO WASTEWATER
RECLAMATION DISTRICT**

Nonoperating Revenues and Expenses

(Last Ten Fiscal Years)

(Unaudited)

Fiscal year	Investment income (expense)	Interest expense	Bond issuance costs	Intergovernmental revenue (expense)	Gain (loss) on disposal of capital assets	Other revenue/ (expense)	Total nonoperating revenues/ (expenses)
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)
2017	3,931,505	(21,751,909)	-	3,476,704	(336,518)	(5,485,597)	(20,165,815)

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

**METRO WASTEWATER
RECLAMATION DISTRICT**

Wastewater Treated

(Last Ten Fiscal Years)

(Unaudited)

Fiscal Year	Average gallons of wastewater treated (millions)	Annual charges (millions)	Annual charges per average million gallons per day (millions)
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
2017	133.0	127.0	1.0

**METRO WASTEWATER
RECLAMATION DISTRICT**

Annual Sewer Connections

(Last Ten Fiscal Years)

(Unaudited)

Fiscal year	Total sewer connections	Cost per single family residential equivalent
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
2017	15,827	4,220

**METRO WASTEWATER
RECLAMATION DISTRICT**

Number of Sewer Customers by Type

(Last Ten Fiscal Years)

(Unaudited)

Fiscal year	Municipalities	Special connectors	Industrial	Total
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
2017	22	26	2	50

**METRO WASTEWATER
RECLAMATION DISTRICT**

Ten Largest Customers

(Current Year and Nine Years Ago)

(Unaudited)

Customer	Fiscal year 2017	
	Sewer revenue	
	Amount	Percentage
City and County of Denver	\$ 54,709,961	43.1%
City of Aurora	22,148,654	17.4%
City of Arvada	8,897,606	7.0%
City of Thornton	8,304,959	6.5%
City of Lakewood	3,180,317	2.5%
City of Westminster	2,970,047	2.3%
Green Mountain Water and Sanitation District	2,411,309	1.9%
Bancroft-Clover Water and Sanitation District	1,876,971	1.5%
Lakehurst Water and Sanitation District	1,805,720	1.4%
North Washington Street Water and Sanitation District	1,651,744	1.3%
Subtotal (10 largest)	107,957,288	85.0%
Balance from other customers	19,049,045	15.0%
Grand Totals	\$ 127,006,333	100.0%

Customer	Fiscal year 2008	
	Sewer revenue	
	Amount	Percentage
City and County of Denver	\$ 25,994,957	35.1%
City of Aurora	15,145,428	20.4%
City of Arvada	5,593,953	7.5%
City of Thornton	4,829,616	6.5%
North Washington Street Water and Sanitation District	2,500,851	3.4%
City of Westminster	2,267,005	3.1%
City of Lakewood	1,721,271	2.3%
Bancroft-Clover Water and Sanitation District	1,638,245	2.2%
Wheat Ridge Sanitation District	999,538	1.3%
Northwest Lakewood Sanitation District	851,839	1.1%
Subtotal (10 largest)	61,542,703	83.0%
Balance from other customers	12,574,708	17.0%
Grand Totals	\$ 74,117,411	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	
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	66,325,434	115,024,362	21,620,000	24,445,259	46,065,259	2.50
2017	128,756,972	59,490,896	3,931,505	192,179,373	73,084,771	119,094,602	22,370,000	23,286,846	45,656,846	2.61

(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>
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	162,316,535	56,892	0.38
2017	594,280	N/A	N/A	N/A

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>
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	2,853,077	162,316,535	56,892	3.1
2017	N/A	N/A	N/A	3.0

(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

**METRO WASTEWATER
RECLAMATION DISTRICT**

Ten Largest Employers

(Current Year and Nine Years Ago)

(Unaudited)

Employer	2016			Employer	2008		
	Employees	Percentage of total (1)	Rank		Employees	Percentage of total (2)	Rank
HealthONE Corporation	10,810	0.67%	1	HealthONE	9,180	0.66%	1
Centura Health	9,160	0.57	2	Lockheed Martin	8,200	0.59	2
SCL Health System	8,720	0.54	3	Qwest Communications	7,500	0.54	3
Lockheed Martin Corporation	7,520	0.47	4	Exempla Healthcare	6,230	0.45	4
UCHealth	7,330	0.45	5	Centura Health	5,830	0.42	5
Comcast Corporation	6,950	0.43	6	Kaiser Permanente	5,570	0.40	6
Kaiser Permanente	6,950	0.43	7	Denver Health	5,100	0.37	7
Children's Hospital Colorado	6,600	0.41	8	United Airlines	5,000	0.36	8
United Airlines	5,700	0.35	9	IBM Corporation	4,300	0.31	9
CenturyLink	5,100	0.32	10	Frontier Airlines	4,220	0.31	10
Total	74,840			Total	61,130		

Source: Metro Denver Economic Development Corporation

(1) Total employed - 2017 1,613,027

(2) Total employed - 2008 1,383,400

**METRO WASTEWATER
RECLAMATION DISTRICT**

Number of Employees by Activity

(Last Ten Fiscal Years)

(Unaudited)

	Full-time-equivalent employees as of December 31,									
	2017	2016*	2015	2014	2013	2012	2011	2010	2009	2008
Administrative Services	58.00	59.00	66.00	67.00	67.00	67.00	67.00	66.00	65.00	68.00
Engineering	36.75	37.75	39.75	38.75	38.00	40.00	34.00	31.00	31.00	32.00
Environmental Services	68.50	70.50	68.50	63.50	61.50	59.00	61.00	61.00	59.00	60.00
Human Resources	12.00	5.00	—	—	—	—	—	—	—	—
Maintenance	69.00	73.00	—	—	—	—	—	—	—	—
NTP Operations & Maintenance	—	—	11.25	3.00	2.00	2.00	1.00	—	—	—
Office of the General Counsel	2.00	2.00	—	—	—	—	—	—	—	—
Office of the Manager (including legal services from 2008-2015)	2.00	3.00	8.00	7.00	7.00	5.00	11.00	12.00	11.00	10.00
Operations	42.00	46.00	—	—	—	—	—	—	—	—
RWHTF Operations and Maintenance	—	—	133.75	136.00	136.00	139.00	137.00	131.00	135.00	133.00
Resource, Recovery & Reuse	72.00	71.00	43.00	38.00	41.00	44.00	41.00	42.00	45.00	45.00
Strategy & Innovation	12.00	9.00	—	—	—	—	—	—	—	—
Total	<u>374.25</u>	<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>

* 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Wastewater Treatment										
Number of Wastewater Plants	2	2	1	1	1	1	1	1	1	1
Treatment Capacity (mgd) (1)	249	249	225	225	225	225	225	225	225	225
Average Flow Treated (mgd) (1)	133	137	148	133	130	129	130	133	136	129
BOD (tpd) (2) (3)	160	166	164	155	156	142	153	157	161	161
TSS (tpd) (4)	181	171	170	168	170	148	154	167	182	175
Flow Permit Limits	249	249	220	220	220	220	220	220	220	220
BOD Permit Limits	240	240	212	212	212	212	212	212	212	212
Biosolids:										
Dry tons distributed	30,149	29,640	28,961	27,525	26,068	27,026	26,589	25,616	25,005	28,213
Truck miles driven	890,286	867,581	839,631	736,493	663,805	819,752	709,335	678,756	637,881	641,641
Truck loads	7,005	6,622	6,527	6,001	5,818	6,326	5,849	5,491	5,207	6,068
Acres biosolids applied to	13,975	16,537	16,765	16,912	13,965	15,222	13,179	14,204	11,463	11,798
Facility inspection:										
Line cleaning - feet	183,216	189,260	182,485	181,627	170,939	167,537	180,613	188,502	189,191	159,504
Surface inspection - number	2,624	2,788	2,481	2,910	2,259	2,349	2,473	2,420	2,219	2,141
TV inspection - feet	114,576	176,982	131,356	149,829	133,263	136,206	129,432	152,992	164,385	203,842
Cogeneration production:										
Suez energy output - kwhs (5)	28,792,361	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
District-Wide Personnel at Year-End:	374.25	376.25	370.25	353.25	352.50	356	352	343	346	348

(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