

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



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Years Ended December 31, 2019 and 2018

Cover photograph: The Metro District's Robert W. Hite Treatment South Secondary at sunrise.

## **I. INTRODUCTORY SECTION**



STATE OF COLORADO

***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018

SUBMITTED BY:

**ADMINISTRATIVE SERVICES DEPARTMENT**

**METRO WASTEWATER RECLAMATION DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**  
**DECEMBER 31, 2019 and 2018**

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William J. (Mickey) Conway, District Manager

June 5, 2020

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, 2019 and 2018 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with 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 Fiduciary Fund. 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, 2019 and 2018.

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 activity funds per mandates in bond covenant requirements. The Fiduciary Fund, which reports the Defined Benefit Retirement Plan and a variety of Defined Contribution Retirement Plans is included in the Comprehensive Annual Financial Report because members of the Defined Benefit Plan Retirement Board and the Defined Contribution Plan 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 municipal and special district members (Member Municipalities) collect wastewater and deliver it to the District's interceptor lines. An additional 26 municipalities and special districts (Special Connectors) which collect and deliver wastewater to the District's interceptor system have been added since the District's inception. The District treats an average of 137 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, 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 2019, the six-county area had an estimated total population of 3.3 million of which the District estimates it serves an approximate population of two 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. The economic region has experienced significant population and economic growth in the past ten plus years. Economic indicators for 2020 expected Metro Denver to continue with positive growth, if not somewhat slower than in past years. However, since the declaration of the COVID-19 pandemic national emergency in March, future economic conditions are currently unknown.

In response to the pandemic, governments across the country, including in Colorado, required residents to stay at home, which resulted in the closing of all non-essential businesses, termination of millions of workers in the U.S. and significantly reducing, and in some cases completely eliminating, business revenues. In addition, the stock market indexes have incurred significant losses as investors move to the safety of cash. Currently, there are many areas moving to a safer-at-home approach and some businesses are reopening with many restrictions. While it is expected the U.S. economy is already in recession, the extent of the economic toll of the pandemic cannot yet be calculated.

For the Metro District, operations continue as an essential service to protect the health of the people and the environment, though work schedules have been adjusted and work from home has been implemented. It is not possible to specifically identify all the financial effects of the pandemic to the District, however, it is expected sewer connection charge revenues will be significantly disrupted for the remainder of 2020, and very likely for several years to come.

Metro District staff quickly reacted to this unprecedented event by reviewing and updating operating expenses and revenue projections. This included updating a variety of assumptions for the District's Cash Flow Schedule. As a result, the 2021 Preliminary Budget was reduced by over \$4 million from its original draft in March 2020, proposed Annual Charges for Services was held to a zero percent increase in 2021, projected sewer connection charge revenue was reduced by \$58 million from 2020 to 2022, and the District incorporated the use of fund balance reserves to make up for loss of revenue, some of which will be replaced over time. While these measures are significant, the District can continue to operate efficiently and meet the goals of the Metro 6.0.

## **MAJOR INITIATIVES**

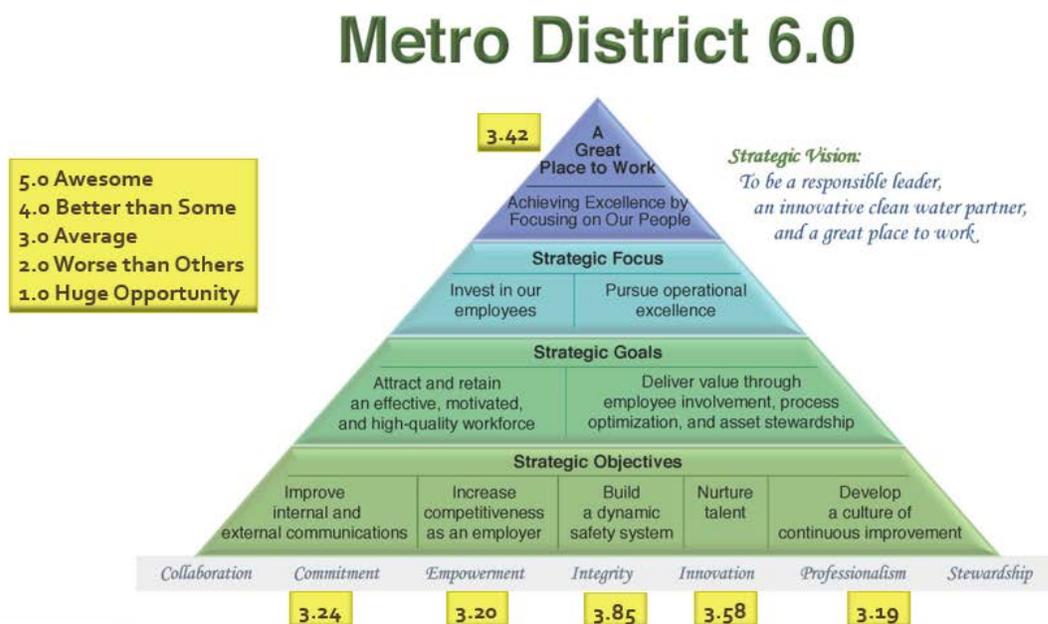
### **Organizational Assessment**

The Metro District completed an organizational assessment, which included a holistic high-level review of the organization and structure. The assessment began in June 2019 and was completed at the end of 2019. The goal of the assessment was to improve the engagement of individual work units, ensuring work and decisions flow as efficiently and effectively as possible throughout the organization. Seven workflows were specifically selected for analysis. The results of the assessment included the need to focus on asset management, a phase gate framework for decision making, and suggestions for modifications to the organizational structure. Organizational structure changes, primarily in the operating departments were completed in late 2019. The assessment outcomes will lead the District in establishing better work practices, and could lead to changes in the operating budget in the future.

## Strategic Planning and Metro 6.0

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 the Metro 6.0 Strategic Focus in 2018. This initiative identified two of the Strategic Plan goals on which the District will focus in the near term. This initiative has measurable objectives which is being measured by employee survey results. These results can be compared year-to-year. The baseline results for 2018 are included on the diagram below.



Metro 6.0 focuses on two key strategies: invest in our employees and pursue operational excellence. Key tactics included in the 2020 Operating Budget include the following:

1. Continued focus on development and implementation of key safety and health programs
2. Development of career path mapping
3. Continued promotion of leadership at all levels
4. Creation and implementation of a phase gate framework for decision making
5. Continued focus on the asset management program

These key tactics, as well as others identified in Metro 6.0, had a significant influence during the creation of the 2020 Operating Budget.

## **FINANCIAL INFORMATION**

### **Internal Control**

Metro District management is responsible for establishing and maintaining internal controls to ensure District assets 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 Fiduciary Fund activities, 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 2019 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, 2019 and 2018.

## **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 Metro District completed a partial refunding of the 2009B Bonds in May 2019 and achieved a savings of \$4,031,081 or 5.11 percent net present value. The District also completed a refund of the 2012A Bonds with taxable sewer refunding bonds in December 2019 and achieved a savings of \$19,601,714 or 6.29 percent net present value.

The Metro District is currently planning to expend approximately \$800 million through 2030 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 most of these improvements, however, is considering issuing additional debt in 2020 to fund the construction of the Second Creek Interceptor. Construction of the Second Creek Interceptor is expected to start in late 2020.

## **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, 2018. Certificates of Achievement were also awarded by the GFOA for the previous 31 District CAFRs (1987–2017).

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 Accounting Division. Each member of the Division extend their 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

  
\_\_\_\_\_  
Molly Kostelecky, Director of Administrative Services

  
\_\_\_\_\_  
Paul Parodi, Accounting Supervisor



William J. (Mickey) Conway, District Manager



Government Finance Officers Association

Certificate of  
Achievement  
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Reporting

Presented to

**Metro Wastewater Reclamation District  
Colorado**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Morill*

Executive Director/CEO

**METRO WASTEWATER RECLAMATION DISTRICT  
METRO DISTRICT OFFICIALS**

**BOARD OF DIRECTORS**

Officers of the Board

Peter Baertlein : Chairman  
Scott Twombly : Chairman Pro Tem  
Andrew Johnston : Treasurer  
Nadine Caldwell : Secretary

Members of the Board

Philip Burgi	Janet Kieler	Ronald Sanchez
Philip Cipri	Craig Kocian	Michael Sapp
David Councilman	Bob LeGare	Kim Schoen
Deborah Crisp	Charles Long	Greg Sekera
John Dingess	Martin Majors	Delbert Smith
Robert Duncanson	Dan Mikesell	Peter Spanberger
Stephen Gay	Sarah Niyork	Mary Beth Susman
Jo Ann Giddings	Christopher Pacheco	Amerigo Svaldi
Mark Hunter	Steve Potts	Dennis Towndrow
Joan Iler	Barbara Puls	Ronald Younger
Kathryn Jensen	Bill Ray	

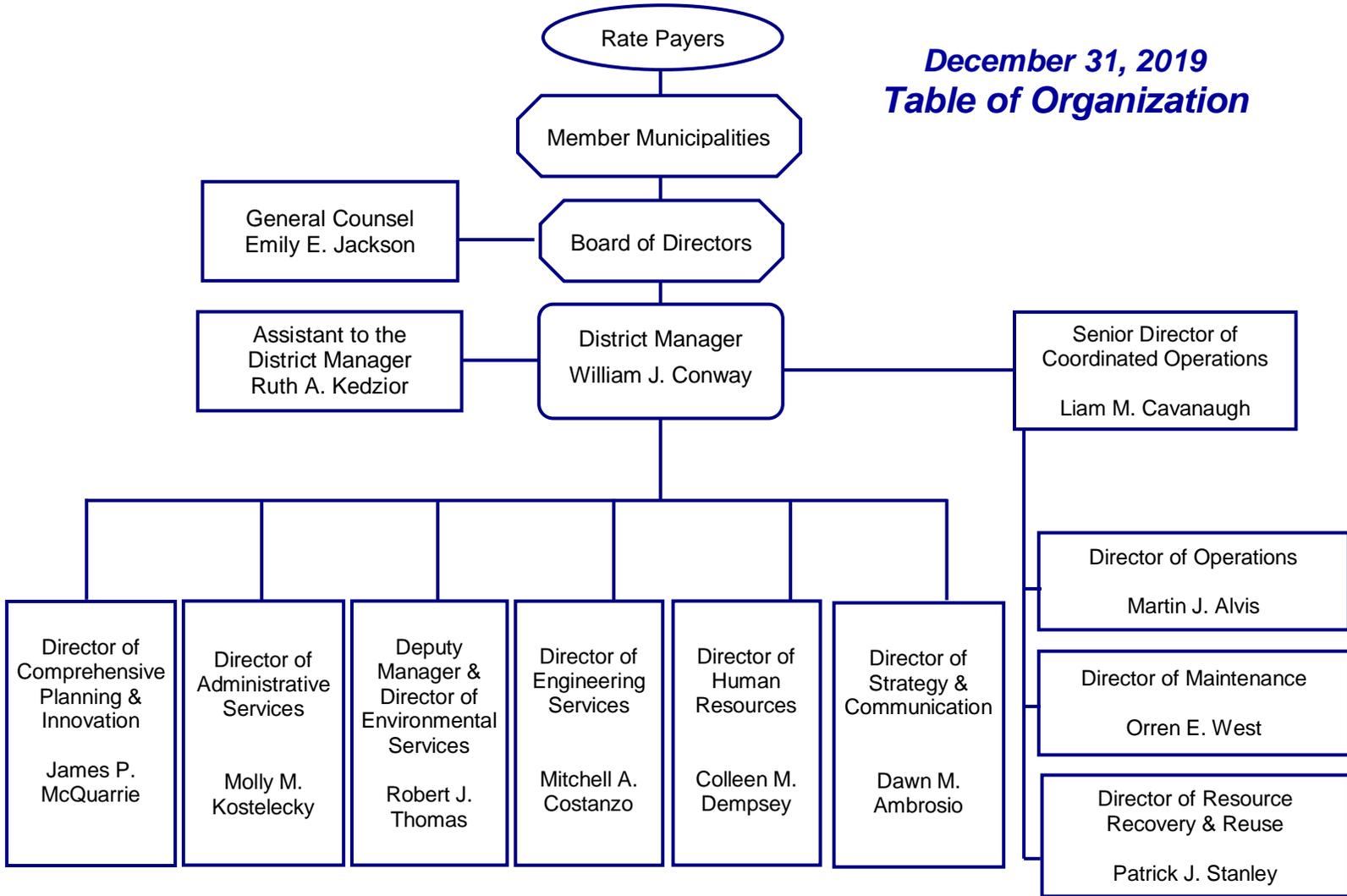
**STAFF OFFICIALS**

William J. Conway : District Manager  
Robert J. Thomas : Deputy Manager and Director of Environmental Services  
Liam M. Cavanaugh : Senior Director of Coordinated Operations  
Orren E. West : Director of Maintenance  
Martin J. Alvis : Director of Operations  
Patrick J. Stanley : Director of Resource Recovery and Reuse  
Molly M. Kostelecky : Director of Administrative Services  
James P. McQuarrie : Director of Comprehensive Planning and Innovation  
Mitchell A. Costanzo : Director of Engineering  
Colleen M. Dempsey : Director of Human Resources  
Dawn M. Ambrosio : Director of Strategy and Communication  
Emily E. Jackson : General Counsel



6450 York Street • Denver, Colorado 80229-7499  
 (303) 286-3000 • Telefax (303) 286-3029

**December 31, 2019  
 Table of Organization**



**Number of Employees by Department**

Maintenance	82.00
Operations	49.00
Resource Recovery and Reuse	61.00
Administrative Services	62.00
Engineering	40.00
Environmental Services	79.00
Human Resources	12.00
Office of the General Counsel	2.00
Office of the Manager	9.00
Comp Planning and Innovation	12.00
<b>Total Metro District Employees</b>	<b>408.00</b>



## 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, 2019 and 2018, 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, 2019 and 2018, 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.

***Emphasis of a Matter***

During fiscal year ended December 31, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 2m to the financial statements). As of January 1, 2018, the other fund information net position was restated to reflect the impact of this adoption. Our auditors' opinion was not modified with respect to the restatement.

***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 the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Changes in the Total Other Postemployment Benefits (OPEB) Liability and Related Ratios 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 4 in the table of contents and other information, such as the Introductory and Statistical Sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
June 5, 2020

# **METRO WASTEWATER RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2019 and 2018  
(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, 2019 and 2018. This discussion and analysis is presented for the District's primary operations.

## **Financial Highlights**

- The District's net position of \$945.0 million at December 31, 2019 increased over the course of 2018 by \$48.5 million or approximately 5.4%.
- Sewer connection fees decreased \$12.6 million in 2019 from \$64.2 million to \$51.6 million due primarily to a decrease number of new sewer connections.
- Total operating revenue increased \$1.4 million in 2019 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 2019, the District implemented GASB Statement No. 84, Fiduciary Activities (GASB No. 84). The scope of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The cumulative effect of applying GASB No. 84 is presented in Note 2(m). As a result of this implementation, the Defined Contribution Plan is now reported with the Defined Benefit plan to comprise the Pension Trust Fund.

Also effective for fiscal year 2019 was GASB Statement No. 83, Certain Asset Retirement Obligations (GASB No. 83). The scope of this Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). The District has determined that there are no existing AROs as defined in this Statement as of December 31, 2019.

## **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, 2019 and 2018  
(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 \$945.0 million at December 31, 2019 and \$896.5 million at December 31, 2018.

Unrestricted non-capital assets totaled approximately \$333.1 million and \$353.8 million at year-end 2019 and 2018, respectively. These balances primarily represent unrestricted cash, cash equivalents, investments, and accounts receivables from connectors. Restricted assets totaled \$35.7 million and \$37.3 million at year-end 2019 and 2018, 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 \$1,194.5 million and \$1,141.1 million at year-end 2019 and 2018, respectively. These assets include investments in wastewater plant, including pipelines and buildings, machinery, equipment, and vehicles.

Current liabilities totaled approximately \$49.6 million and \$44.0 million at year-end 2019 and 2018, respectively. The balances 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 \$568.7 million and \$601.4 million at year-end 2019 and 2018, respectively. The balances 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 (69.3%) in 2019 and (63.7%) in 2018, and reflect its investment in capital assets (e.g., sewers, buildings, machinery, and equipment) less related debt. Net investment in capital assets totaled \$649.0 million and \$571.5 million at year-end 2019 and 2018, respectively. The net increase of \$77.5 million over 2018 is primarily due to a \$53.4 million net increase in capital assets combined with \$24.1 million decrease in debt. The net increase of \$60.6 million over 2017 is primarily due to \$35.9 million net increase in capital assets combined with \$24.7 million decrease in debt. The District uses these assets to provide wholesale wastewater transmission and treatment for approximately 715 square miles of the Denver metropolitan area and serves approximately 2 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.

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.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
Years Ended December 31, 2019 and 2018  
(Unaudited)

These totaled approximately \$32.3 million and \$31.1 million at year-end 2019 and 2018, respectively. Unrestricted net position comprises the remainder of the balance. This net position may be used for any purposes. Unrestricted net position totaled approximately \$263.7 million and \$294.0 million at year-end 2019 and 2018, 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)

	<b>December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017 (restated)</b>
Unrestricted assets	\$ 333,059	\$ 353,777	\$ 353,497
Restricted assets	35,686	37,333	36,479
Capital assets, net	1,194,528	1,141,097	1,105,157
Total assets	1,563,273	1,532,207	1,495,133
Deferred outflows of resources	9,178	9,881	6,388
Current liabilities	49,610	43,981	43,693
Noncurrent liabilities	568,659	601,366	617,507
Total liabilities	618,269	645,347	661,200
Deferred inflows of resources	9,129	213	2,897
Net investment in capital assets	649,061	571,523	510,877
Restricted	32,331	31,052	29,922
Unrestricted	263,660	293,952	296,623
Total net position	\$ 945,052	\$ 896,527	\$ 837,422

The primary variances between 2019, 2018, and 2017 are related to -and capital assets and noncurrent liabilities. Capital assets increased by \$53.4 million and \$35.9 million during 2019 and 2018, respectively, due primarily to additions in construction in progress. Noncurrent liabilities decreased by \$32.7 million during 2019 due primarily to the principal payments on outstanding bonds and bond refunding transactions. Noncurrent liabilities decreased in 2018 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.

As can be seen in the following Table A-2, net position increased \$48.5 million to \$945.0 million in 2019 and \$59.1 million to \$896.5 million in 2018. The increase in net position in 2019 was primarily due to receiving \$51.6 million in sewer connection fees reduced by loss before sewer connection fees of \$3.1 million. The increase in net position in 2018 was primarily due to receiving \$64.2 million in sewer connection fees reduced by loss before sewer connection fees of \$5.1 million.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Management's Discussion and Analysis  
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(Unaudited)

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

	<b>December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017 (restated)</b>
Annual charges to connectors	\$ 132,137	\$ 129,546	\$ 127,006
Septic charge revenue	94	91	79
Other operating revenue	1,979	3,211	1,672
Total operating revenue	134,210	132,848	128,757
Investment revenue	11,318	5,845	3,931
Intergovernmental revenue	2,188	3,376	3,477
Total revenue	147,716	142,069	136,165
Operations and maintenance expenses	41,307	37,975	35,512
Technical management and support	22,329	18,877	17,753
Administrative and general	22,358	22,779	21,206
Depreciation and amortization	43,979	42,092	43,440
Total operating expenses	129,973	121,723	117,911
Interest expense	19,270	23,853	21,752
Other	1,580	1,544	5,822
Total nonoperating expenses	20,850	25,397	27,574
Total expenses	150,823	147,120	145,485
Changes in net position before capital contributions	(3,107)	(5,051)	(9,320)
Sewer connection fees	51,632	64,156	59,491
Changes in net position	48,525	59,105	50,171
Beginning net position, as restated*	896,527	837,422	787,251
Ending net position	\$ 945,052	\$ 896,527	\$ 837,422

**METRO WASTEWATER  
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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 2019 including sewer connection fees decreased by approximately \$6.9 million or 3.3%, and total expenses increased by approximately \$3.7 million or 2.5% from 2018. The major factors that drove these results and other changes during 2019 include:

- Operating revenue increased by \$1.4 million in 2019 primarily due to a 2.0% increase in annual charges for service rates to connectors.
- Sewer connection fees decreased approximately \$12.6 million in 2019 primarily due to a decrease in number of Single Family Residential Equivalents.
- Investment revenue increased by \$5.5 million in 2019, primarily due to both realized and unrealized gains on investments.
- Intergovernmental revenue decreased approximately \$1.2 million in 2019 primarily due to a decrease in the amount of the Build American Bonds credit resulting from the partial refunding of series 2009B bonds.
- The \$3.7 million increase in total expenses included an increase of \$8.3 million in operating costs, which includes an increase of \$1.9 million in depreciation expense, and a decrease of \$4.6 million in interest costs.

In Table A-2, total revenue for 2018 including sewer connection fees increased by approximately \$10.6 million or 5.4%, and expenses increased by approximately \$1.6 million or 1.1% from 2017. The major factors that drove these results and other changes during 2018 include:

- Operating revenue increased by \$4.0 million in 2018 primarily due to a 2.0% increase in annual charges for service rates to connectors.
- Sewer connection fees increased approximately \$4.7 million in 2018 primarily due to an increase in number of Single Family Residential Equivalents.
- Investment revenue increased by \$1.9 million in 2018, primarily due to both realized and unrealized gains on investments.
- The \$1.6 million increase in total expenses included an increase of \$3.8 million in operating costs, which includes an increase of \$1.3 million in depreciation expense, an increase of \$2.1 million in interest costs and an increase of \$4.3 million in other expense comprised primarily of \$1.5 million of small projects transferred to expense.

**Capital Assets and Debt Administration**

*Capital Assets*

As of December 31, 2019 and 2018, the District's investment in capital assets amounted to \$1,194.5 million and \$1,141.1 million, respectively (net of accumulated depreciation), as shown in the following Table A-3. The \$53.4 million increase in net capital assets in 2019 was primarily due to approximately \$94.6 million in additions to construction in progress for various ongoing wastewater and improvement and rehabilitation projects, offset by \$44.0 million of depreciation expense.

**METRO WASTEWATER  
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The following projects incurred such costs for 2019: RWHTF Support Facility Improvements – \$24.9 million, Sludge Processing Building – \$20.0 million, Nuisance Struvite and Dewaterability – \$11.6 million, South Headworks and Grease Processing Improvements – \$8.8 million, Digester Complex Rehabilitation – \$7.2 million, Sand Creek and Second Creek Basin Regional Plan – \$6.2 million, PWC Operating Pressure – \$3.5 million, and Permanent Flow Monitoring – \$2.9 million. The remaining increase of \$9.5 million to construction in progress was a result of other additions to numerous smaller projects.

The \$35.9 million increase in net capital assets in 2018 was primarily due to approximately \$75.9 million in additions to construction in progress for various ongoing wastewater and improvement and rehabilitation projects, offset by \$42.1million of depreciation expense. The following projects incurred such costs for 2018: South Headworks and Grease Processing Improvements – \$20.6 million, Sludge Processing Building – \$10.6 million, Digester Complex Rehabilitation – \$9.2 million, Interceptor Rehabilitation 2017 – \$6.6 million, PWC Operating Pressure – \$4.8 million, Delgany Interceptor System Improvements – \$4.1 million, Nuisance Struvite and Dewaterability – \$3.2 million, Sand Creed and Second Creek Basin Regional Plan – \$2.8 million, 2018 Facility Plan – \$1.9 million, and Metrogro Farm Gain Bins – \$1.7 million.. The remaining increase of \$10.4 million to construction in progress was a result of other additions to numerous smaller projects.

Construction-in-progress increased by \$ 30.7 million in 2019. The \$94.6 million in additions to construction in progress in 2019 discussed above, was offset by \$63.9 million in completed projects, such as the South Headworks and Grease Processing Improvements, PWC Operating Pressure, Permanent Flow Monitoring, Metrogro Farm Grain Bins, and the 2018 Facility Plan. which were transferred to plant and equipment. Construction-in-progress increased by \$28.3 million in 2018. The \$75.9 million in additions to construction in progress in 2018 discussed above, was offset by \$47.6 million in completed projects, such as the Sidestream Nutrient Removal, Interceptor Rehabilitation 2017, Interceptor Rehabilitation 2016, and the Delgany Interceptor System Improvements, which were transferred to plant and equipment.

The increase in capital assets in 2019 and 2018 was offset by capital asset disposals of \$11.0 million and \$5.2 million, respectively.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land, land improvements and water rights	\$ 43,468	\$ 42,633	\$ 42,217
Plant in service	919,308	904,893	887,311
Vehicles and equipment	601,619	560,720	533,353
Construction in progress	<u>155,178</u>	<u>124,480</u>	<u>96,211</u>
	1,719,573	1,632,726	1,559,092
Less accumulated depreciation	<u>(525,045)</u>	<u>(491,629)</u>	<u>(453,936)</u>
Net capital assets	<u>\$ 1,194,528</u>	<u>\$ 1,141,097</u>	<u>\$ 1,105,156</u>

**METRO WASTEWATER  
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Management's Discussion and Analysis  
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At December 31, 2019, the District had future construction commitments for capital projects totaling \$196.1 million. The largest projects, representing 52.6% of this total, are the Solids Processing Improvements, RWHTF Support Facilities Upgrade-2014 and Sand Creek and Second Creek Basins Regional Plan with remaining costs of \$103.2 million.

***Debt Administration***

At December 31, 2019 and 2018, the District's long-term debt consisted of approximately \$539.8 and \$569.6 in bonds payable, respectively. The District's underlying bond ratings are as follows:

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

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

**Next Year's Budgets and Rates**

The District approved a \$89.6 million 2020 Operation and Maintenance Budget, an increase of \$5.7 million from 2019. The increase is primarily wage and benefit inflation, increased materials and fuels, increased chemical costs, and increased outside services. The District also approved Annual Charges for Service totaling \$135.4 million, a 2.5% increase from 2019. 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 2020 totals \$132.4 million, an increase of \$28.3 million from the 2019 Capital Projects Budget of \$104.1 million. These projects include rehabilitation, growth, and improvement projects in the District system.

**Requests for Information**

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

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Net Position

December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Current assets:		
Cash and cash equivalents	\$ 126,391,891	\$ 48,994,238
Investments	57,253,413	—
Accounts receivable	12,314,789	15,945,277
Due from other governments	1,340,833	846,714
Accrued interest receivable	912,607	1,114,937
Materials and supplies inventories, net of loss reserve of \$250,000	6,057,405	6,106,983
Prepaid expenses and other assets	1,168,395	1,077,284
	205,439,333	74,085,433
Restricted:		
Cash and cash equivalents	32,688,363	32,133,181
Investments	1,999,160	2,245,620
	34,687,523	34,378,801
Total current assets	240,126,856	108,464,234
Noncurrent assets:		
Investments	127,619,852	279,691,783
Nondepreciable capital assets:		
Land and water rights	43,468,189	42,632,504
Construction in progress	155,177,605	124,480,215
	198,645,794	167,112,719
Depreciable capital assets, net:		
Plant in service	607,443,655	626,486,254
Equipment and vehicles	388,438,139	347,498,405
Net capital assets	1,194,527,588	1,141,097,378
Restricted:		
Investments	998,890	2,953,720
Total noncurrent assets	1,323,146,330	1,423,742,881
Total assets	1,563,273,186	1,532,207,115
Deferred outflows of resources:		
Pension related	8,250,734	9,608,055
OPEB related	926,831	272,868
Total deferred outflows of resources	9,177,565	9,880,923

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Net Position

December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Current liabilities:		
Accounts payable	17,854,122	12,569,752
Accrued payroll	919,709	1,028,851
Compensated absences	95,295	116,826
	18,869,126	13,715,429
Payable from restricted assets:		
Accrued interest payable	3,355,704	6,280,325
Bonds payable	27,385,000	23,985,000
Total current liabilities	49,609,830	43,980,754
Noncurrent liabilities:		
Compensated absences	2,331,632	2,122,825
Bonds payable	512,457,117	545,589,736
Net pension liability	43,871,052	44,392,583
Net OPEB liability	9,941,368	9,203,994
Other accrued liabilities	58,200	57,000
Total noncurrent liabilities	568,659,369	601,366,138
Total liabilities	618,269,199	645,346,892
Deferred inflows of resources:		
Pension related	3,172,065	85,034
OPEB related	333,439	128,417
2019B bond deferred gain on refunding	5,623,983	—
Total deferred inflows of resources	9,129,487	213,451
Net position:		
Net investment in capital assets	649,061,488	571,522,642
Restricted – bonds	32,330,709	31,052,196
Unrestricted	263,659,868	293,952,857
Total net position	\$ 945,052,065	\$ 896,527,695

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Revenue, Expenses, and Changes in Net Position

Years ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Operating revenue:		
Annual charges to connectors	\$ 132,137,389	\$ 129,546,460
Septic charge revenue	93,523	91,271
Other operating revenue	1,978,886	3,210,558
Total operating revenue	134,209,798	132,848,289
Operating expenses:		
Operations and maintenance:		
Wastewater transmission	2,103,035	1,933,139
Wastewater treatment	19,343,183	18,086,763
Solids processing	10,260,429	8,668,269
Solids recycling	9,599,778	9,286,612
	41,306,425	37,974,783
Technical management and support:		
Engineering services	3,650,622	3,312,549
Laboratory services	6,969,050	5,990,846
Support operation and maintenance	11,709,653	9,573,120
	22,329,325	18,876,515
Administrative and general	22,358,081	22,778,547
Depreciation and amortization expense	43,979,303	42,092,133
Total operating expenses	129,973,134	121,721,978
Operating income	4,236,664	11,126,311
Nonoperating revenues (expenses):		
Investment revenue	11,317,707	5,844,697
Interest expense	(19,269,915)	(23,853,490)
Intergovernmental revenue	2,187,548	3,376,025
Studies expense	(2,095,699)	(1,135,992)
Other revenue	516,069	253,693
Other expense	—	(661,538)
Net nonoperating revenue (expense)	(7,344,290)	(16,176,605)
Income (loss) before capital contributions	(3,107,626)	(5,050,294)
Capital contributions – sewer connection fees	51,631,996	64,155,603
Increase in net position	48,524,370	59,105,309
Net position, beginning of year	896,527,695	837,422,386
Net position, end of year	\$ 945,052,065	\$ 896,527,695

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 134,177,638	\$ 131,991,968
Cash payments to employees	(37,915,316)	(44,740,441)
Cash payments to suppliers for goods and services	(40,481,723)	(29,901,493)
Other receipts	1,320,599	697,765
Net cash provided by operating activities	<u>57,101,198</u>	<u>58,047,799</u>
Cash flows from capital and related financing activities:		
Sewer connection fees	55,557,491	66,448,479
Acquisition and construction of capital assets	(93,160,848)	(81,685,511)
Principal paid on capital debt	(27,593,726)	(23,160,000)
Interest paid on capital debt	(24,333,429)	(25,675,300)
Proceeds from sale of capital assets	411,721	143,357
Net cash (used in) capital and related financing activities	<u>(89,118,791)</u>	<u>(63,928,975)</u>
Cash flows from noncapital financing activities:		
Intergovernmental revenue received	1,693,429	3,372,415
Net cash provided by noncapital financing activities	<u>1,693,429</u>	<u>3,372,415</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	342,628,290	338,696,692
Purchase of investments	(242,657,302)	(337,542,926)
Interest and dividends received	6,104,721	4,588,058
Change in fair value of investments classified as cash equivalents	2,201,290	(9,939,477)
Net cash provided by (used in) investing activities	<u>108,276,999</u>	<u>(4,197,653)</u>
Net increase (decrease) in cash and cash equivalents	77,952,835	(6,706,414)
Cash and cash equivalents, beginning of year	81,127,419	87,833,833
Cash and cash equivalents, end of year	<u>\$ 159,080,254</u>	<u>\$ 81,127,419</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,236,664	\$ 11,126,311
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	43,979,303	42,092,133
Decrease/(Increase) in accounts receivable	(32,993)	83,506
Decrease/(Increase) in inventory	49,578	(373,142)
Decrease/(Increase) in prepaid expenses and other	(91,111)	197,584
Decrease/(Increase) in deferred outflows	703,358	(3,492,465)
Increase in accounts payable and other accrued liabilities	2,904,518	5,994,416
Increase in accrued payroll and compensated absences	78,135	117,687
(Decrease) in unearned revenue	—	(944,640)
(Decrease)/Increase in net pension liability	(521,531)	8,676,994
Increase in net OPEB liability	737,374	628,003
(Decrease)/Increase in deferred inflows	8,916,036	(2,685,149)
Capitalized wages	(2,348,310)	(2,497,666)
Other (disbursements) receipts	(1,509,823)	(875,773)
Net cash provided by operating activities	<u>\$ 57,101,198</u>	<u>\$ 58,047,799</u>
Noncash investing, capital, and financing activities:		
Unrealized (gain) loss on investments	\$ (5,152,470)	\$ (1,153,766)
Amortization of bond premium	(2,138,893)	(1,544,810)
Loss on retirement of capital assets	68,975	663,251
Capital contributions - sewer connection fees current period	(12,121,730)	(15,785,211)

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Fiduciary Net Position

Pension Trust Fund

December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Investments, at fair value:		
Cash and short-term investments	\$ 966,167	\$ 1,010,929
Public equity	46,596,837	33,393,980
Mutual funds	7,327,203	5,221,997
Private equity	4,171,966	3,367,313
Fixed rate debt	11,215,500	11,035,496
Stable value funds	730,909	562,229
Floating rate debt	4,266,468	12,604,345
Low volatility strategies	11,864,747	10,536,797
Liquid real assets	—	4,227,579
Real estate	15,650,192	14,771,249
Total investments, at fair value	102,789,989	96,731,914
Distribution receivable	11,015,280	—
Total assets	113,805,269	96,731,914
<b>Liability</b>		
Accrued administrative expenses	31,799	39,061
<b>Fiduciary Net Position</b>		
Restricted for pension benefits, as restated (see note 2m)	\$ 113,773,470	\$ 96,692,853

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Statements of Changes in Fiduciary Net Position

Pension Trust Fund

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Additions:		
Investment income:		
Net appreciation in fair value of investments	\$ 14,470,475	\$ (4,639,790)
Interest and dividend income	2,198,932	1,943,289
Less investment expense	<u>(491,583)</u>	<u>(467,150)</u>
Net investment income (loss)	16,177,824	(3,163,651)
Contributions from employer	6,472,744	5,643,714
Contributions from employees	<u>2,310,084</u>	<u>2,422,652</u>
Total additions	<u>24,960,652</u>	<u>4,902,715</u>
Deductions:		
Benefit payments	7,800,565	7,155,825
Administrative expenses	<u>79,470</u>	<u>50,428</u>
Total deductions	<u>7,880,035</u>	<u>7,206,253</u>
Net increase in plan position	17,080,617	(2,303,538)
Fiduciary net position restricted for pension benefits:		
Beginning of year, restated	<u>96,692,853</u>	<u>98,996,391</u>
End of year	<u>\$ 113,773,470</u>	<u>\$ 96,692,853</u>

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

**(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 Pension Trust Fund is reported separately from the District and includes two different retirement plans. 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 Defined Benefit Retirement 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.

The Metro Wastewater Reclamation District Defined Contribution Plan (the Defined Contribution Plan) is a single-employer defined contribution plan, which includes several 401(a) plans. The primary plan is for all new employees hired on and after January 1, 2013. Employees in the primary Defined Contribution 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-RC). As of December 31, 2019 and 2018 there were 197 and 172 active plan members. The Defined Contribution Plan is governed by the Defined Contribution Retirement Board, the members of which are appointed by District management and District Board of Directors. Accordingly, an evaluation of the Defined Contribution Plan using the above considerations results in the inclusion of the Defined Contribution Plan in the accompanying basic financial statements as a fiduciary fund of the District.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

**(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 Fund* – Pension Trust Fund for the Defined Benefit Plan and Defined Contribution Plan are maintained to account for assets held by the District in a trustee capacity for active and retired employees.

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

**(a) Basis of Accounting**

The Enterprise and Pension Trust Fund, 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.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

Depreciation on facilities and equipment is charged as an expense against operations. Depreciation has been computed using the straight-line method over the following estimated useful lives:

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

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

**(e) Investments**

The District’s investments are carried at fair value based upon market quotations, with the exceptions of investments held in the Colorado Statewide Investment Pool, which are carried at amortized cost. The Pension Trust Funds 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(b)(iii) 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. These materials and supplies are not held for resale. The inventory is charged to operations and maintenance expense as the items are used. As of December 31, 2019 and 2018, 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 is 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 \$8,250,734 and \$9,608,055 and deferred inflows of resources of \$3,172,065 and \$85,034 for December 31, 2019 and December 31, 2018, respectively. See Note 7 for additional information.

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Changes in the components of the net OPEB liability is reported as deferred outflow of resources and deferred inflow of resources. The changes in the components of the net OPEB liability reported by the District have resulted in deferred outflows of resources of \$926,831 and \$272,868 and deferred inflows of resources of \$333,439 and \$128,417 for December 31, 2019 and December 31, 2018, respectively. See Note 8 for additional information.

The 2019B Series Refunding bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,623,983. This difference is reported as a deferred inflow of resources as of December 31, 2019. See Note 6 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, outstanding debt obligations and deferred gain on refunding (less unspent bond proceeds) related to those capital assets.

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

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

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

**(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.

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**(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, 2019 and 2018, accrued vacation and excess sick pay aggregated \$2,426,927 and \$2,239,651, respectively.

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

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

**(m) New and Future Accounting Pronouncements**

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal year 2019. The scope of this Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The District has determined that there are no existing AROs as defined in this Statement, as of December 31, 2019.

In June 2017, GASB issued Statement No. 87, *Leases*, which is effective for fiscal year 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. The District is determining the impact to the financial statements for fiscal year 2020.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal year 2019. The scope of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result of this implementation, the Defined Contribution Plan is now reported with the Defined Benefit plan to comprise the Pension Trust Fund. The cumulative effect of applying GASB Statements No. 84 is reported as a restatement of beginning net position for the Pension Trust Fund as of January 1, 2018 as follows:

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		<b>For The Year Ended</b>	<b>December 31, 2018</b>
Beginning Fiduciary Net Position	\$		94,261,179
Add Defined Contribution Plan Fiduciary Net Position			4,735,212
Restated Beginning Fiduciary Net Position			<u>98,996,391</u>

**(n) Changes in Investment Categories**

Certain prior period balances have been changed to conform with the current period.

**(3) Cash and Investments**

As of December 31, 2019 and 2018, the District and the Pension Trust Fund had the following cash and investments:

Cash and cash equivalents			
Deposits	\$	2,469,769	\$ 29,046,412
Local government investment pool (CSAFE)		121,033,432	35,739,972
Commercial paper, less than 90 days		—	997,890
Colorado Statewide Investment Pool		35,577,053	15,343,145
Investments			
U.S. Treasury Notes		74,376,829	53,430,914
U.S. Agency securities, including mortgage-backed securities		81,309,746	205,182,328
Certificates of Deposit		14,307,835	7,697,692
Corporate bonds		<u>17,876,905</u>	<u>18,580,189</u>
	\$	<u>346,951,569</u>	\$ <u>366,018,542</u>
Pension Trust Fund:			
Cash	\$	148,884	\$ 1,010,929
Money market funds		817,283	—
Public equity		46,596,837	38,615,977
Mutual funds		7,327,203	—
Private equity		4,171,966	3,367,313
Fixed rate debt		11,215,500	11,597,725
Stable value funds		730,909	—
Floating rate debt		4,266,468	12,604,345
Low volatility strategies		11,864,747	10,536,797
Liquid real assets		—	4,227,579
Real estate		<u>15,650,192</u>	<u>14,771,249</u>
	\$	<u>102,789,989</u>	\$ <u>96,731,914</u>

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**(a) Cash Deposits**

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

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

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

Restricted cash and cash equivalents and investments are restricted for the current payment of principal and interest on outstanding bonds as required by debt covenants.

**(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

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The District, excluding the Pension Trust Fund, 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.

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, 2019.

<u>Investment Type</u>	<u>Interim Target Allocation</u>	<u>Long-term Target Allocation</u>	<u>Target Range</u>
Public equity	45.00%	40.00%	35% -55%
Private equity	5.00%	10.00%	0% -15%
Fixed rate debt	20.00%	20.00%	10% -30%
Floating rate debt	5.00%	5.00%	0% -10%
Low volatility strategies	10.00%	10.00%	5% -15%
Real estate	15.00%	15.00%	10% -20%
	100.00%	100.00%	

The Defined Contribution Plan has an investment policy statement (IPS) that provides for investment objectives within the plan. The primary objective of the IPS is to provide participants with a diverse set of investment options that encompass a variety of risk/return characteristics from which the participant can self-direct their portfolio in a diversified manner. The Defined Contribution Board is responsible for selecting and monitoring investments options, while the participant selects in which option(s) they shall invest.

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**(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, 2019, the District invested \$17,876,905 in corporate bonds. The credit ratings for the corporate bonds are based on Standard and Poor's rating scale, and were as follows: \$4,606,465 were rated AA, \$8,036,016 were rated AA-, \$2,700,641 were rated AA+, and \$2,533,783 were rated AAA.

As of December 31, 2018, the District invested \$18,580,189 in corporate bonds. The credit ratings for the corporate bonds are based on Standard and Poor's rating scale, and were as follows: \$2,019,520 were rated AA, \$4,087,839 were rated AA-, and \$2,467,075 were rated AA+, and \$8,042,395 were rated AAA. There were \$1,963,360 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 Pension Trust Fund's debt investments at December 31, 2019 and December 31, 2018 with average credit ratings of underlying investments based on Standard & Poor's rating scale:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Western Asset Management Core Plus Bond Fund IS		
Fair value	\$ 5,591,440	\$ 4,903,751
Average rating	Not rated	Not rated
JP Morgan Core Bond Fund		
Fair value	\$ 5,624,060	\$ 6,131,745
Average rating	Not rated	Not rated
Bain Senior Loan Fund		
Fair value	\$ —	\$ 9,915,875
Average rating	n/a	Not rated
Golub Capital Partners International 11, L.P.		
Fair value	\$ 1,750,000	\$ 699,972
Average rating	Not rated	Not rated
Principal Real Estate Debt Fund II		
Fair value	\$ 2,516,468	\$ 1,988,498
Average rating	Not rated	Not rated
First American Money Market Government Obligations Fund		
Fair value	\$ 643,078	\$ 963,234
Average rating	AAAm	AAAm
VT Cash Management Fund		
Fair value	\$ 174,205	\$ 47,695
Average rating	Not rated	Not rated

The Defined Contribution Plan has no credit risk.

**(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.

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Custodial credit risk is the risk that in the event of a bank failure, the Defined Benefit Plan's deposits may not be returned to it. All securities are registered in the name of US Bank as the Trustee for the 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. Other deposits may include small amounts of cash held for short periods of time prior to investment. These deposits are insured by FDIC up to \$250,000. As of December 31, 2019, the Plan's deposits had balance of \$148,884. No deposits were held by a bank as of December 31, 2018.

The Defined Contribution Plan has no custodial credit risk. All securities held in trust for the participants at ICMA-RC. 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.

**(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:

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

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

	<u>December 31,</u>			
	<u>2019</u>		<u>2018</u>	
<u>Issuer</u>	<u>Amount</u>	<u>Percentage of portfolio</u>	<u>Amount</u>	<u>Percentage of portfolio</u>
FHLB	\$ 32,723,450	9.50%	\$ 70,123,943	20.81%
FHLMC	39,469,230	11.46	112,832,025	33.48
FNMA	9,117,066	2.65	22,226,360	6.60
	<u>\$ 81,309,746</u>		<u>205,182,328</u>	

A concentration of credit risk exists for the Pension Trust Fund if they hold more than 5% of the 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 Pension Trust Fund has no concentration of credit risk as of December 31, 2019 and December 31, 2018.

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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, 2019 and 2018, the duration for the District's investments was as follows:

<u>Type</u>	<u>December 31, 2019</u>		
	<u>Fair value</u>	<u>Duration in Years</u>	<u>Call options at 100</u>
U.S. Agency securities	\$ 81,309,746	1.13	\$ 71,374,657
U.S. Treasury Notes	74,376,829	3.02	—
Corporate Bonds	17,876,905	1.60	2,582,553
Certificates of Deposit	14,307,835	—	—
Colorado Statewide Investment Pool	35,577,053	—	—
Total fair value	<u>\$ 223,448,368</u>		

<u>Type</u>	<u>December 31, 2018</u>		
	<u>Fair value</u>	<u>Duration in Years</u>	<u>Call options at 100</u>
U.S. Agency securities	\$ 205,182,328	1.55	\$ 178,232,776
U.S. Treasury Notes	53,430,914	3.07	—
Corporate Bonds	18,580,189	2.20	—
Commercial Paper, less than 90 days	997,890	—	—
Certificates of Deposit	7,697,692	—	—
Colorado Statewide Investment Pool	15,343,145	—	—
Total fair value	<u>\$ 301,232,158</u>		

As of December 31, 2019 and December 31, 2018, the District invested \$121,033,432 and \$35,739,972, respectively, 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 24 days and 29 days as of December 31, 2019 and December 31, 2018, respectively.

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The Pension Trust Fund investment policy manages its exposure to fair value losses arising from rising interest rates by specific guidelines for debt managers. As of December 31, 2019 and 2018, the Pension Trust Fund held the following debt investments.

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Western Asset Management Core Plus Bond Fund IS		
Balance	\$ 5,591,440	\$ 4,903,751
Modified duration (in years)	12.6	10.8
JP Morgan Core Bond Fund		
Balance	\$ 5,624,060	\$ 6,131,745
Modified duration (in years)	5.8	7.6
Bain Senior Loan Fund		
Balance	\$ —	\$ 9,915,875
Modified duration (in years)	n/a	0.3
Golub Capital Partners International 11, L.P.		
Balance	\$ 1,750,000	\$ 699,972
Modified duration (in years)	not available	not available
Principal Real Estate Debt Fund II		
Balance	\$ 2,516,468	\$ 1,988,498
Modified duration (in years)	1.1	1.2

Investments in money market funds of \$817,283 and \$1,010,929 as of December 31, 2019 and 2018, respectively, have an average maturity of fewer than 34 and 25 days, respectively.

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**(h) Foreign Currency Risk**

The District and Defined Contribution Plan were not exposed to foreign currency risk as of December 31, 2019 and 2018. For 2019 and 2018, the Defined Benefit Plan's investments managed exposure to foreign currency risk by limiting the allocation percentage of interest of global equity investments to 25.0% and 22.5%, respectively. The global equities in which the Defined Benefit Plan has invested have a fair value of \$25,315,656 and \$18,761,295, or 24.0% and 20.6% of the total portfolio at December 31, 2019 and 2018, 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 Pension Trust Fund, for the years ended December 31, 2019 and 2018 was comprised of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Investment income	\$ 6,381,417	\$ 5,304,252
Net realized (loss) on investments	(216,180)	(613,321)
Net unrealized gain on investments	5,152,470	1,153,766
<b>Total</b>	\$ 11,317,707	\$ 5,844,697

Investment income for the Pension Trust Fund for the years ended December 31, 2019 and 2018 was comprised of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Interest and dividend income	\$ 2,198,932	\$ 1,943,289
Net realized gain on investments	912,204	1,310,936
Net unrealized gain (loss) on investments	13,558,271	(5,950,726)
	16,669,407	(2,696,501)
Less investment expense	(491,583)	(467,150)
Net investment income	\$ 16,177,824	\$ (3,163,651)

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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(j) ***Fair Value***

The District and the Pension Trust Fund categorize 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, 2019 and 2018:

Investments Measured at Fair Value

	12/31/2019	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	\$ 81,309,746	\$ 81,309,746	\$ -	\$ -
U.S. Treasury notes	74,376,829	74,376,829	-	-
Certificates of deposit	14,307,835	-	14,307,835	-
Corporate bonds	17,876,905	17,876,905	-	-
Total investments measured at fair value level	187,871,315	173,563,480	14,307,835	-
Investments measured at the net asset value (NAV)				
Colorado statewide investment pool	35,577,053			
Investments held at amortized cost				
LGIP - CSAFE	121,033,432			
Total investments measured at fair value	\$ 344,481,800			

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Investments Measured at Fair Value

	12/31/2018	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	\$ 205,182,328	\$ 205,182,328	\$ -	\$ -
U.S. Treasury notes	53,430,914	53,430,914	-	-
Commerical paper, less than 90 days	997,890	-	997,890	-
Certificates of deposit	7,697,692	-	7,697,692	-
Corporate bonds	18,580,189	18,580,189	-	-
Total investments measured at fair value level	285,889,013	277,193,431	8,695,582	-
Investments measured at the net asset value (NAV)				
Colorado statewide investment pool	15,343,145			
Investments measured at amortized cost				
LGIP - CSAFE	35,739,972			
Total investments measured at fair value	<u>\$ 336,972,130</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 AAAs 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 Pension Trust Fund has the following recurring fair value measurements as of December 31, 2019 and December 31, 2018:

	12/31/2019	Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Public equity	\$ 40,624,160	\$40,624,160	\$ -	\$ -
Fixed rate debt	11,215,500	11,215,500	-	-
Mutual funds	7,327,203	7,327,203	-	-
Total investments measured at fair value level	<u>59,166,863</u>	<u>59,166,863</u>	-	-
<b>Investments measured at the net asset value (NAV)</b>				
Public equity	5,972,677			
Private equity	4,171,966			
Floating rate debt	4,266,468			
Low volatility strategies	11,864,747			
Stable value funds	730,909			
Real estate	15,650,192			
Total investment measured at the NAV	<u>42,656,959</u>			
Total investments measured at fair value	<u>101,823,822</u>			
<b>Investments measured at amortized cost</b>				
Money market funds	817,283			
Total investments	<u>\$ 102,641,105</u>			

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Investments Measured at Fair Value

	Fair Value Measurement Using			
	12/31/2018	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	\$ 28,914,893	\$ 28,914,893	\$ -	\$ -
Fixed rate debt	11,035,496	11,035,496	-	-
Mutual funds	5,221,997	5,221,997	-	-
Liquid real assets	4,227,579	4,227,579	-	-
Total investments measured at fair value level	<u>49,399,965</u>	<u>49,399,965</u>	-	-
Investments measured at the net asset value (NAV)				
Public equity	4,479,087			
Private equity	3,367,313			
Floating rate debt	12,604,345			
Low volatility strategies	10,536,797			
Stable value funds	562,229			
Real estate	14,771,249			
Total investment measured at the NAV	<u>46,321,020</u>			
Total investments measured at fair value	<u>95,720,985</u>			
Investments measured at amortized cost				
Money market funds	1,010,929			
Total investments	<u>\$ 96,731,914</u>			

The valuation method for the Pension Trust Fund's investments at December 31, 2019 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)	\$ 5,972,677	\$ -	daily	n/a
Private equity (2)	4,171,966	5,506,750	n/a	n/a
Floating rate debt (3)	4,266,468	4,583,824	monthly, n/a, n/a	30 days, n/a, n/a
Low volatility strategies (4)	11,864,747	-	semi-annually, monthly	95 days, 5 days
Real estate (5)	15,650,192	-	daily based on liquidity	1 day
Stable value funds (6)	730,909	-	daily	n/a
	<u>\$ 42,656,959</u>			

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The valuation method for the Defined Benefit Plan's investments at December 31, 2018 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)	\$ 4,479,086	\$ -	daily	n/a
Private equity (2)	3,367,313	4,026,000	n/a	n/a
Floating rate debt (3)	12,604,346	2,929,908	monthly, n/a	30 days, n/a
Low volatility strategies (4)	10,536,797	-	semi-annually	95 days
Real estate (5)	14,771,249	-	daily based on liquidity	1 day
Stable value funds (6)	562,229	-	daily	n/a
	<u>\$ 46,321,020</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 four 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.

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.

The third fund invests predominantly in North American and Western Europe value orientated equity investments. Partnership investments are generally traditional middle market buyouts of out-of-favor industries and companies focusing on investments in media, financial services, energy, and industrial companies. 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 10 to 13 years.

The fourth fund invests in global venture capital direct partnership investments. Investments are primarily core venture capital, with about 25% representing seed and early stage partnerships. It is estimated that 60% of investments will be in the US and 40% allocated to international groups. Investments address a broad range of business opportunities primarily related to or enabled by technology. The fund may re-invest proceeds of portfolio investments; provided, however, that the

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acquisition costs of all portfolio investments will not exceed 115% of aggregate subscriptions, including secondary opportunities. 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 four 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 and third investments are funds that invest 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 fourth 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 strategies 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.
- (6) This category includes two funds, which are investment options of the defined contribution plan(s), which are designed to preserve capital and which are invested 100% in other capital preservation funds. Shares may be redeemed daily by participants.

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**(4) Capital Assets**

For the years ended December 31, 2019 and 2018, changes in capital assets consisted of the following:

	Balance at December 31, 2017	Additions or transfers	Deletions or transfers	Balance at December 31, 2018	Additions	Deletions	Adjustments or transfers	Balance at December 31, 2019
<b>Nondepreciable:</b>								
Land and water rights	\$ 42,217,020	415,484	—	\$ 42,632,504	835,685	—	—	\$ 43,468,189
Construction in progress	96,210,896	75,900,252	(47,630,933)	124,480,215	94,601,301	(64,002,244)	98,333	155,177,605
Total nondepreciable net assets	<u>138,427,916</u>	<u>76,315,736</u>	<u>(47,630,933)</u>	<u>167,112,719</u>	<u>95,436,986</u>	<u>(64,002,244)</u>	<u>98,333</u>	<u>198,645,794</u>
<b>Depreciable:</b>								
<b>Plant in service:</b>								
Transmission	292,454,542	17,961,268	—	310,415,810	616,008	(941,423)	—	310,090,395
Treatment	254,216,192	5,953,434	—	260,169,626	25,176,132	(1,212,574)	133,423,289	417,556,473
Solids processing	37,602,981	985,430	(8,648)	38,579,763	90,000	—	27,280,722	65,950,485
Solids recycling	7,027,345	466,552	—	7,493,897	3,493	—	—	7,497,390
Support	296,010,381	3,390,087	(11,166,226)	288,234,242	3,699,540	(10,154)	(173,710,339)	118,213,289
	<u>887,311,441</u>	<u>28,756,771</u>	<u>(11,174,874)</u>	<u>904,893,338</u>	<u>29,585,173</u>	<u>(2,164,151)</u>	<u>(13,006,328)</u>	<u>919,308,032</u>
<b>Equipment:</b>								
Plant	457,429,146	18,829,127	(1,843,655)	474,414,618	21,848,789	(4,926,910)	12,298,487	503,634,984
Support	58,584,460	10,615,746	(2,487,460)	66,712,746	12,430,875	(2,279,529)	707,846	77,571,938
Vehicles	17,339,865	2,625,991	(373,113)	19,592,743	2,492,292	(1,672,942)	—	20,412,093
	<u>533,353,471</u>	<u>32,070,864</u>	<u>(4,704,228)</u>	<u>560,720,107</u>	<u>36,771,956</u>	<u>(8,879,381)</u>	<u>13,006,333</u>	<u>601,619,015</u>
Total depreciable capital assets	<u>1,420,664,912</u>	<u>60,827,635</u>	<u>(15,879,102)</u>	<u>1,465,613,445</u>	<u>66,357,129</u>	<u>(11,043,532)</u>	<u>5</u>	<u>1,520,927,047</u>
<b>Less accumulated depreciation:</b>								
<b>Plant in service:</b>								
Transmission	116,344,817	5,921,229	—	122,266,046	6,068,127	(941,422)	—	127,392,751
Treatment	62,256,339	5,174,513	—	67,430,852	25,966,671	(1,191,983)	—	92,205,540
Solids processing	22,535,545	891,527	(8,648)	23,418,424	6,286,937	—	—	29,705,361
Solids recycling	3,575,751	158,648	—	3,734,399	182,150	—	—	3,916,549
Support	54,551,484	7,074,914	(69,035)	61,557,363	(2,904,006)	(9,181)	—	58,644,176
	<u>259,263,936</u>	<u>19,220,831</u>	<u>(77,683)</u>	<u>278,407,084</u>	<u>35,599,879</u>	<u>(2,142,586)</u>	<u>—</u>	<u>311,864,377</u>
<b>Equipment:</b>								
Plant	145,692,223	17,733,237	(1,536,397)	161,889,063	3,055,373	(4,508,595)	—	160,435,841
Support	39,461,658	3,811,609	(2,417,684)	40,855,583	3,689,642	(2,264,844)	—	42,280,381
Vehicles	9,518,208	1,326,456	(367,608)	10,477,056	1,634,409	(1,646,811)	—	10,464,654
	<u>194,672,089</u>	<u>22,871,302</u>	<u>(4,321,689)</u>	<u>213,221,702</u>	<u>8,379,424</u>	<u>(8,420,250)</u>	<u>—</u>	<u>213,180,876</u>
Total accumulated depreciation	<u>453,936,025</u>	<u>42,092,133</u>	<u>(4,399,372)</u>	<u>491,628,786</u>	<u>43,979,303</u>	<u>(10,562,836)</u>	<u>—</u>	<u>525,045,253</u>
Total capital assets, net	<u>\$ 1,105,156,803</u>	<u>95,051,238</u>	<u>(59,110,663)</u>	<u>\$ 1,141,097,378</u>	<u>117,814,812</u>	<u>(64,482,940)</u>	<u>98,338</u>	<u>\$ 1,194,527,588</u>

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**(5) Long-Term Liabilities**

A summary of the changes in long-term liabilities for the year ended December 31, 2019 is as follows:

	<u>December 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2019</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 569,574,736	\$ 412,609,259	\$ (442,341,878)	\$ 539,842,117	\$ 27,385,000
Compensated absences	<u>2,239,651</u>	<u>515,367</u>	<u>(328,091)</u>	<u>2,426,927</u>	<u>95,295</u>
Total noncurrent liabilities	<u>\$ 571,814,387</u>	<u>\$ 413,124,626</u>	<u>\$ (442,669,969)</u>	<u>\$ 542,269,044</u>	<u>\$ 27,480,295</u>

A summary of the changes in long-term liabilities for the year ended December 31, 2018 is as follows:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2018</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 594,279,546	\$ —	\$ (24,704,810)	\$ 569,574,736	\$ 23,985,000
Compensated absences	<u>2,209,511</u>	<u>342,029</u>	<u>(311,889)</u>	<u>2,239,651</u>	<u>116,826</u>
Total noncurrent liabilities	<u>\$ 596,489,057</u>	<u>\$ 342,029</u>	<u>\$ (25,016,699)</u>	<u>\$ 571,814,387</u>	<u>\$ 24,101,826</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>2019</u>	<u>2018</u>
2009B Sewer Improvement Bonds	08/27/09	\$ 187,380,000	\$ 94,195,000	\$ 187,380,000
2012A Sewer Improvement Bonds	01/25/12	380,000,000	30,685,000	352,100,000
2019A Sewer Refunding Bonds	05/17/19	72,830,000	72,830,000	—
2019B Sewer Refunding Bonds	12/10/19	332,770,000	332,770,000	—
Plus premium on 2012A Bonds			3,144,226	30,094,736
Plus premium on 2019A Bonds			<u>6,217,891</u>	<u>—</u>
Total			<u>\$ 539,842,117</u>	<u>\$ 569,574,736</u>

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Principal and interest requirements on all outstanding bonds are summarized as follows at December 31, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 27,385,000	\$ 17,361,550	\$ 44,746,550
2021	26,645,000	17,868,063	44,513,063
2022	27,675,000	16,592,468	44,267,468
2023	28,585,000	15,432,547	44,017,547
2024	29,440,000	14,390,186	43,830,186
2025-2029	164,730,000	52,160,599	216,890,599
2030-2034	81,475,000	28,465,672	109,940,672
2035-2039	98,860,000	15,216,801	114,076,801
2040-2041	45,685,000	1,457,812	47,142,812
	<u>530,480,000</u>	<u>\$ 178,945,698</u>	<u>\$ 709,425,698</u>
Unamortized premiums	9,362,117		
	<u>\$ 539,842,117</u>		

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

**(a) 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 \$2,187,547 and \$3,476,704 from the United States Treasury for the fiscal years ended December 31, 2019 and December 31, 2018 related to the federal subsidy received on these bonds.

As part of the issuance of the Series 2019A Sewer Refunding Bonds, a portion of the 2009B bonds were refunded, in the amount of \$78,875,000. The remaining outstanding series 2009B bonds, in the amount of \$94,195,000, are due in annual installments of \$17,475,000 to \$20,250,000 beginning April 1, 2015 through April 1, 2029.

**(b) 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. On December 10, 2019, the portion of the Series 2012A Bonds maturing on or after April 1, 2023 in the aggregate amount of \$311,740,000 were defeased as part of the issuance of the 2019B Taxable Sewer Refunding Bonds. The remaining tax-exempt bonds in the aggregate amount of \$30,685,000 are due in annual installments of \$9,925,000 to \$10,535,000 April 1, 2020 through April 1, 2022.

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(c) **Series 2019A**

On May 17, 2019, the District issued \$72,830,000 of Series 2019A Sewer Refunding Bonds, bearing interest at 5.00%, for the purpose of refunding a portion of the Series 2009B Bonds outstanding in the aggregate amount of \$78,875,000. Proceeds from the 2019A Bonds were deposited with the Escrow Agent. The portion of the 2009B Bonds were called and defeased on May 17, 2019 and the escrow account closed. As a result, the refunded 2009B bonds were defeased and the liability for those bonds has been removed from the District's statement of net assets as of December 31, 2019.

The refunding resulted in an economic gain of \$4,031,081. The 2019A Bonds are due in annual installments ranging from \$13,210,000 to \$15,995,000 beginning April 1, 2020 through April 1, 2024.

(d) **Series 2019B**

On December 10, 2019, the District issued \$332,770,000 of Series 2019B Taxable Sewer Refunding Bonds, bearing interest at 1.00% to 3.15%, for the purpose of defraying the cost of refunding and paying the principal and interest on the 2012A Bonds maturing on or after April 1, 2023 in the aggregate amount of \$311,740,000. The net proceeds of \$331,789,575 from the 2019B Bonds, after payment of \$980,425 underwriting fees and other issuance costs were deposited into an escrow account to provide for all future debt service payments of the refunded 2012A bonds. As a result, the refunded 2012A bonds are considered to be defeased in substance, and the liability for those bonds has been removed from the District's statement of net assets as of December 31, 2019.

The current refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of \$5,623,983. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized as a component of interest expense through the life of the 2019B bonds. The refunding resulted in an economic gain of \$19,601,714. The bonds are taxable and due in annual installments of \$4,250,000 to \$23,320,000 beginning April 1, 2020 through April 1, 2041.

(e) **Bond Covenants**

There are certain covenants associated with the District's bonds. As of December 31, 2019 and 2018, the management of the District believes they are in substantive compliance with these requirements.

(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.

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**(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.

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.

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At December 31, 2019 and 2018, the Defined Benefit Plan's membership consisted of the following:

	<b>2019</b>	<b>2018</b>
Retirees and beneficiaries eligible to receive benefits as of December 31	235	217
Terminated employees entitled to, but not yet receiving, benefits	142	148
Active plan members	216	233
Total	593	598

*i) 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, 2019 and 2018 was \$20,599,400 and \$20,935,048, respectively. The District's total payroll for the years ended December 31, 2019 and 2018 was \$34,021,941 and \$31,917,750 and \$30,439,922 respectively

During 2019 and 2018, contributions made by the District totaled \$5,700,935 and \$5,019,996, respectively. Employee contributions to the Defined Benefit Plan totaled \$1,472,473 and \$1,483,945, respectively.

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**(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, 2019 and 2018. 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 low volatility strategies, liquid real assets, and floating rate debt funds, which are 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.

***ii) Net Pension Liability***

The District's net pension liability was measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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Notes to Basic Financial Statements

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*iii) Changes in the Net Pension Liability*

<b>Changes in Net Pension Liability</b>	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances as of December 31, 2017	\$ 129,976,768	\$ 94,261,179	\$ 35,715,589
Changes for the year:			
Service cost	2,010,528		2,010,528
Interest on total pension liability	9,316,712		9,316,712
Effect of economic/demographic gains or losses	1,035,325		1,035,325
Benefit payments	(7,085,818)	(7,085,818)	—
Employer contributions	—	5,019,996	(5,019,996)
Member contributions	—	1,483,945	(1,483,945)
Net investment income	—	(2,770,025)	2,770,025
Administrative expenses	—	(48,345)	48,345
Balances as of December 31, 2018	<u>135,253,515</u>	<u>90,860,932</u>	<u>44,392,583</u>
Changes for the year:			
Service cost	1,965,109		1,965,109
Interest on total pension liability	9,690,475		9,690,475
Effect of economic/demographic gains or losses	1,710,776		1,710,776
Effect of assumption changes or inputs	8,032,806		8,032,806
Benefit payments	(7,240,476)	(7,240,476)	—
Employer contributions	—	5,700,935	(5,700,935)
Member contributions	—	1,472,473	(1,472,473)
Net investment income	—	14,823,703	(14,823,703)
Administrative expenses	—	(76,414)	76,414
Balances as of December 31, 2019	<u>\$ 149,412,205</u>	<u>\$ 105,541,153</u>	<u>\$ 43,871,052</u>

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

*iv) Actuarial assumptions*

The actuarial assumptions that determined the total pension liability as of December 31, 2019 and 2018 were based on the results of an actuarial experience study for the period 2010-2014:

	<b>2019</b>	<b>2018</b>
Actuarial valuation date	January 1, 2020	January 1, 2019
Measurement date	December 31, 2019	December 31, 2018
Inflation	2.50%	2.50%
Salary increases,	Graded by age	Graded by age
Mortality rate	Pub-2010 Healthy Employee and Retiree Mortality Table for General Employees Projected Generationally Using the Most Recent MP Scale Published by the Society of Actuaries on December 31, 2019	RP-2000 projected to 2023 for annuitants and 2031 for non-annuitants using Scale BB
Actuarial cost method	Entry Age Normal	Entry Age Normal
Investment rate of return	7.00%	7.25%

*v) 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, 2019, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

		<b>December 31, 2019</b>		
		<b>1% Decrease 6.00%</b>	<b>Current Discount Rate 7.00%</b>	<b>1% Increase 8.00%</b>
Net pension liability	\$	61,124,410	\$ 43,871,052	\$ 29,279,164

The following presents the net pension liability of the District as of December 31, 2018, 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:

		<b>December 31, 2018</b>		
		<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Net pension liability	\$	59,359,069	\$ 44,392,583	\$ 31,633,795

**METRO WASTEWATER  
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Notes to Basic Financial Statements

December 31, 2019 and 2018

**vi) 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 Ellwood’s investment consulting practice as of December 31, 2019. 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	40%	5.68%
Private Equity	10%	9.40%
Fixed Rate Debt	20%	1.30%
Floating Rate Debt	5%	2.70%
Low Volatility Strategies	10%	1.90%
Real Estate	15%	3.80%

**vii) Discount rate**

The discount rates used to measure the total pension liability was 7.00% for the year ended December 31, 2019 and 7.25% for the year ended December 31, 2018. 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.

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

For the years ended December 31, 2019 and 2018, the District recognized pension expense of \$9,623,189 and \$7,814,576, respectively. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**METRO WASTEWATER  
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Notes to Basic Financial Statements

December 31, 2019 and 2018

	<b>December 31, 2019</b>	
	<b>Deferred (Inflows) of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ —	\$ 2,036,328
Changes of assumptions	—	6,214,406
Net difference between projected and actual earnings	(3,172,065)	—
<b>Total</b>	<b>\$ (3,172,065)</b>	<b>\$ 8,250,734</b>

	<b>December 31, 2018</b>	
	<b>Deferred (Inflows) of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ (85,034)	\$ 1,984,382
Changes of assumptions	—	2,266,807
Net difference between projected and actual earnings	—	5,356,866
<b>Total</b>	<b>\$ (85,034)</b>	<b>\$ 9,608,055</b>

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

**Year ended December 31:**

2020	\$	3,498,421
2021		2,351,659
2022		876,989
2023		(1,648,400)
2024		—
Thereafter*		—

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

**(c) 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, 2019 and 2018 there were 197 and 172 active plan members. The District's contributions for the years ended December 31, 2019 and 2018 were \$771,809 and \$623,718, respectively.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

**(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.

Employees covered by benefit terms. As of December 31, 2019, the following employees were covered by the benefit terms:

	<b>2019</b>	<b>2018</b>
Inactive employees or beneficiaries currently receiving benefit payments	224	187
Inactive employees entitled to buy not yet receiving benefit payments	—	—
Active employees	396	356
Total	620	543

**(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) Total OPEB Liability**

The District’s total OPEB liability was based on the January 1, 2019 valuation date and measurement dates of December 31, 2019 and December 31, 2018, respectively. The District’s total OPEB liability was \$9,941,368 and \$9,203,994 for the years ended December 31, 2019 and December 31, 2018, respectively.

**(d) Actuarial Methods and Assumptions**

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

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

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, 2019 and December 31, 2018 are as follows:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Actuarial valuation date	January 1, 2019	January 1, 2017
Measurement date	December 31, 2018	December 31, 2017
Inflation	2.50%	2.50%
Salary increases,	Graded by age	Graded by age
Mortality rate	Pub-2010 General Employees mortality table fully generational using scale MP2019	RP-2000 projected to 2023 for annuitants and 2031 for non-annuitants using Scale BB
Actuarial cost method	Entry Age Normal Level Percent of Pay	Entry Age Normal Level Percent of Pay
Discount rate	4.10%	3.44%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index at the measurement date.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period 2010 through 2014.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

(e) *Changes in the Total OPEB Liability*

<b>Increase/Decrease in Total OPEB Liability</b>	<b>Fiscal Year Ending:</b>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balance at Beginning of Year	\$ 9,203,994	\$ 8,575,991
Changes for the year:		
Service cost	400,532	373,620
Interest on Total OPEB liability	324,085	331,010
Effect of changes to benefit terms	—	—
Effect of economic/demographic gains or losses	641,921	—
Effect of assumptions changes or inputs	(259,185)	312,414
Benefit payments	<u>(369,979)</u>	<u>(389,041)</u>
Balances at End of Year	<u>\$ 9,941,368</u>	<u>\$ 9,203,994</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption:

<u>December 31, 2019</u>			
<b>Current Discount</b>			
	<b>1% Decrease</b>	<b>Rate 4.10%</b>	<b>1% Increase</b>
Net OPEB liability	\$ 11,025,696	\$ 9,941,368	\$ 9,012,725

<u>December 31, 2019</u>			
<b>Current Healthcare</b>			
	<b>1% Decrease</b>	<b>Cost Trend Rate</b>	<b>1% Increase</b>
Net OPEB liability	\$ 9,454,580	\$ 9,941,368	\$ 10,525,361

<u>December 31, 2018</u>			
<b>Current Discount</b>			
	<b>1% Decrease</b>	<b>Rate 3.44%</b>	<b>1% Increase</b>
Net OPEB liability	\$ 10,222,204	\$ 9,203,994	\$ 8,328,091

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

<b>December 31, 2018</b>					
<b>Current Healthcare</b>					
	<b>1% Decrease</b>	<b>Cost Trend Rate</b>	<b>1% Increase</b>		
Net OPEB liability	\$ 8,703,614	\$ 9,203,994	\$ 9,808,096		

*(f) OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB*

For the years ended December 31, 2019 and 2018, the District recognized OPEB expense of \$790,240 and \$722,411, respectively. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<b>December 31, 2019</b>	
		<b>Deferred (Inflows) of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$	—	\$ 561,681
Changes of assumptions	\$	(333,439)	\$ 233,322
Total (prior to post-Measurement Date contributions):	\$	(333,439)	\$ 795,003
Contributions made subsequent to measurement date		—	131,828
Net deferred outflow / (inflow) of resources	\$	(333,439)	\$ 926,831

		<b>December 31, 2018</b>	
		<b>Deferred (Inflows) of Resources</b>	<b>Deferred Outflows of Resources</b>
Changes of assumptions	\$	(128,417)	\$ 272,868
Total	\$	(128,417)	\$ 272,868

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

Deferred outflow related to contributions made subsequent to measurement date of \$131,828 will reduce the OPEB liability in fiscal year 2020. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended December 31:</b>	
2020	\$ 65,623
2021	65,623
2022	65,623
2023	65,623
2024	67,796
Thereafter*	131,276

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

**(9) Deferred Compensation Plan**

The District offers its participants 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, 2019 and 2018, the District's connectors and related revenue consisted of the following:

<u>Classification</u>	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Member municipalities	22	\$ 119,313,592	22	\$ 116,806,238
Special connectors	28	12,823,797	28	12,740,222
	<u>50</u>	<u>\$ 132,137,389</u>	<u>50</u>	<u>\$ 129,546,460</u>

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

**(11) Board Designated Amounts**

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

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
90 day expense reserve plus \$1 million	\$ 23,941,842	\$ 22,023,806
Sewer connection charge reserve	25,000,000	25,000,000
Total designated amount	\$ 48,941,842	\$ 47,023,806

**(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 was one loss claim filed in 2018 with The Hartford Steam Boiler and Inspection Insurance. The loss was sustained on July 21, 2018, failure for North East Blower #8. The loss claim has been approved in the amount of \$1.8 million. The District has initiated a project for the replacement of Blower #8, and funds of \$1,920,000 have been appropriated. Actual project costs incurred as of December 31, 2019 totaled \$95,618.

The District manages its general liability exposure on a self-insurance basis. As of December 31, 2019 and 2018, 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 2019 basic financial statements.

As of December 31, 2019, the District had various commitments totaling approximately \$196.1 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 projects, representing 52.6% of this total, are the Solids Processing Improvements and RWHTF Support Facilities Upgrade-2014 and Sand Creek and Second Creek Basins Regional Plan with remaining costs of \$103.2 million.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

**(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.

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 \$76,500 and \$93,700 in 2019 and 2018, respectively, in the monitoring efforts. The District did not incur outside legal counsel costs during 2019 and 2018.

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 \$236,000 and \$254,000 in 2019 and 2018, respectively.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Notes to Basic Financial Statements

December 31, 2019 and 2018

**(14) Subsequent Events**

During the period from January 1, 2020, through May 31, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**METRO WASTEWATER  
RECLAMATION DISTRICT  
DEFINED BENEFIT RETIREMENT PLAN**  
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)  
December 31, 2019

	Fiscal Year Ending December 31									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total Pension Liability</b>										
Service Cost	\$ 1,965,109	\$ 2,010,528	\$ 2,054,219	\$ 2,118,343	\$ 2,300,707	\$ 2,440,541	N/A	N/A	N/A	N/A
Interest on total pension liability	9,690,475	9,316,712	8,968,077	8,516,917	8,048,386	7,836,723	N/A	N/A	N/A	N/A
Effect on plan changes	-	-	-	-	-	-	N/A	N/A	N/A	N/A
Effect of economic /demographic (gains) or losses	1,710,776	1,035,325	1,588,268	1,723,846	(113,453)	(1,826,177)	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	8,032,806	-	3,286,291	-	5,444,418	-	N/A	N/A	N/A	N/A
Benefit payments	(7,240,476)	(7,085,818)	(6,758,280)	(5,817,753)	(5,757,870)	(5,408,869)	N/A	N/A	N/A	N/A
Net change in total pension liability	14,158,690	5,276,747	9,138,575	6,541,353	9,922,188	3,042,218	N/A	N/A	N/A	N/A
Total pension liability, beginning	135,253,515	129,976,768	120,838,193	114,296,840	104,374,652	101,332,434	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 149,412,205	\$ 135,253,515	\$ 129,976,768	\$ 120,838,193	\$ 114,296,840	\$ 104,374,652	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	\$ 5,700,935	\$ 5,019,996	\$ 4,756,434	\$ 4,228,249	\$ 4,722,308	\$ 4,679,000	N/A	N/A	N/A	N/A
Member contributions	1,472,473	1,483,945	1,560,619	1,636,552	1,631,561	1,421,235	N/A	N/A	N/A	N/A
Investment income net of investment expenses	14,823,703	(2,770,025)	11,752,741	6,300,119	(244,970)	5,461,900	N/A	N/A	N/A	N/A
Benefit payments	(7,240,476)	(7,085,818)	(6,758,280)	(5,817,753)	(5,757,870)	(5,408,869)	N/A	N/A	N/A	N/A
Administrative expenses	(76,414)	(48,345)	(55,461)	(46,271)	(62,749)	(51,140)	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	14,680,221	(3,400,247)	11,256,053	6,300,896	288,280	6,102,126	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	90,860,932	94,261,179	83,005,126	76,704,230	76,415,950	70,313,824	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ 105,541,153	\$ 90,860,932	\$ 94,261,179	\$ 83,005,126	\$ 76,704,230	\$ 76,415,950	N/A	N/A	N/A	N/A
Net pension liability, ending = (a) - (b)	\$ 43,871,052	\$ 44,392,583	\$ 35,715,589	\$ 37,833,067	\$ 37,592,610	\$ 27,958,702	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	70.64%	67.18%	72.52%	68.69%	67.11%	73.21%	N/A	N/A	N/A	N/A
Covered payroll	\$ 20,599,400	\$ 20,935,048	\$ 22,351,010	\$ 23,323,075	\$ 23,834,625	\$ 25,353,510	N/A	N/A	N/A	N/A
Net pension liability as of % of covered payroll	212.97%	212.05%	159.79%	162.21%	157.72%	110.28%	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  
DEFINED BENEFIT RETIREMENT PLAN**  
Schedule of Employer Contributions (Unaudited)  
Ten Years Ended December 31, 2019

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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%
2018	5,700,935	5,019,996	680,939	20,935,048	23.98%
2019	6,219,293	5,700,935	518,358	20,599,400	27.68%

**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      7.00%

Retirement age              Table of rates by Age and Eligibility

Mortality                      Pub-2010 Healthy Employee and Retiree Mortality Table for General Employees Projected Generationally Using the Most Recent MP Scale Published by the Society of Actuaries on December 31, 2019

**METRO WASTEWATER  
RECLAMATION DISTRICT  
POST EMPLOYMENT HEALTHCARE PLAN**  
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
December 31, 2019

	<b>Fiscal Year Ending December 31</b>									
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Total OPEB Liability</b>										
Service Cost	\$ 400,532	\$ 373,620	\$ 376,564	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	324,085	331,010	307,477	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of changes to benefit terms	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic /demographic (gains) or losses	641,921	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(259,185)	312,414	(171,947)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(369,979)	(389,041)	(341,659)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	737,374	628,003	170,435	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	9,203,994	8,575,991	8,405,556	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	\$ 9,941,368	\$ 9,203,994	\$ 8,575,991	\$ 8,405,556	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$31,917,750	\$30,439,922	\$29,426,219	\$27,618,839	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as of % of covered payroll	31.15%	30.24%	29.14%	30.43%	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with GASB standards, they should not be reported.

## **SCHEDULES**

**METRO WASTEWATER  
RECLAMATION DISTRICT**  
Supplementary Information –  
Schedule of Revenue and Expenses  
Budget and Actual  
Year ended December 31, 2019

	<b>Year-to-date Actual</b>	<b>Budget 2019</b>	<b>Variance – Favorable (Unfavorable)</b>
Operating revenue:			
Annual charges to connectors	\$ 132,137,389	\$ 132,137,389	\$ —
Septic charge revenue	93,523	114,000	(20,477)
Other operating income	1,978,886	2,190,100	(211,214)
	134,209,798	134,441,489	(231,691)
Operating expenses:			
Operations and maintenance:			
Wastewater transmission	1,975,875	2,061,058	85,183
Wastewater treatment	18,615,634	17,542,011	(1,073,623)
Solids processing	10,036,972	10,481,455	444,483
Solids recycling	9,225,949	10,172,896	946,947
Technical management and support	20,875,472	21,902,133	1,026,661
Administrative and general	21,052,675	21,682,969	630,294
	81,782,577	83,842,522	2,059,945
Operating revenue in excess of expenses (excluding depreciation)	52,427,221	50,598,967	1,828,254
Nonoperating revenue:			
Interest	6,113,536	3,123,700	2,989,836
Other	3,276,028	—	3,276,028
Total nonoperating revenue	9,389,564	3,123,700	6,265,864
Nonoperating expenses:			
Capital (operations and management)	343,101	252,700	(90,401)
Debt service	47,781,578	45,383,537	(2,398,041)
	48,124,679	45,636,237	(2,488,442)
Revenue over expenses	13,692,106	\$ 8,086,430	\$ 5,605,676
Reconciliation to change in net position:			
Add:			
Sewer connection fees	51,631,996		
Capital outlay	343,101		
Debt service	47,781,578		
Capital asset, sewer and A&C interest	51,701		
Net decrease in the fair value of investments	5,152,470		
Deduct:			
Depreciation	(43,979,303)		
Interest expense included in debt service above	(19,269,915)		
Nonoperating expenses	(2,668,110)		
OPEB expense	(790,240)		
OPEB employer payments	369,979		
OPEB contributions post measurement date	131,828		
Employer contribution expense	5,700,935		
Pension expense	(9,623,756)		
Increase in net position	\$ 48,524,370		

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, 2019

	<u>Year-to-date Actual</u>	<u>Budget 2019</u>	<u>Variance – Favorable (Unfavorable)</u>
Operations and maintenance:			
Wastewater transmission:			
Personnel	\$ 1,589,260	\$ 1,509,168	\$ (80,092)
Materials and fuel	213,077	286,890	73,813
Utilities	145,834	228,000	82,166
Outside services	20,745	37,000	16,255
Support services	6,959	—	(6,959)
	<u>1,975,875</u>	<u>2,061,058</u>	<u>85,183</u>
Wastewater treatment:			
Personnel	9,268,034	8,363,629	(904,405)
Materials and fuel	1,577,643	1,036,950	(540,693)
Chemicals	2,838,900	1,946,076	(892,824)
Utilities	4,565,053	5,981,152	1,416,099
Outside services	154,949	136,504	(18,445)
Support services	211,055	77,700	(133,355)
	<u>18,615,634</u>	<u>17,542,011</u>	<u>(1,073,623)</u>
Solids processing:			
Personnel	2,377,498	2,661,137	283,639
Materials and fuel	1,574,668	780,450	(794,218)
Chemicals	3,660,029	4,268,500	608,471
Utilities	864,991	1,087,868	222,877
Outside services	1,559,786	1,683,500	123,714
	<u>10,036,972</u>	<u>10,481,455</u>	<u>444,483</u>
Solids recycling:			
Personnel	4,167,065	4,321,326	154,261
Materials and fuel	2,097,700	2,147,700	50,000
Chemicals	1,668,270	1,950,120	281,850
Utilities	21,507	36,000	14,493
Outside services	1,265,362	1,717,750	452,388
Support services	6,045	—	(6,045)
	<u>9,225,949</u>	<u>10,172,896</u>	<u>946,947</u>
Total operations and maintenance	<u>39,854,430</u>	<u>40,257,420</u>	<u>402,990</u>

See accompanying independent auditors' report.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Supplementary Information –  
Schedule of Operating Expenses

Budget and Actual

Year ended December 31, 2019

	<u>Year-to-date Actual</u>	<u>Budget 2019</u>	<u>Variance – Favorable (Unfavorable)</u>
Technical management and support:			
Operations and maintenance:			
Personnel (1)	3,862,262	4,932,202	1,069,940
Materials and fuel	1,385,102	977,210	(407,892)
Chemicals	14,497	—	(14,497)
Utilities	1,564,646	495,905	(1,068,741)
Outside services	1,352,366	1,370,000	17,634
Support expenses	69,029	105,479	36,450
	<u>8,247,902</u>	<u>7,880,796</u>	<u>(367,106)</u>
Resource recovery and reuse:			
Personnel	1,760,260	1,244,412	(515,848)
Materials and fuel	467,958	275,000	(192,958)
Utilities	124,480	152,500	28,020
Outside services	511,568	397,950	(113,618)
Support expenses	71,475	71,250	(225)
	<u>2,935,741</u>	<u>2,141,112</u>	<u>(794,629)</u>
Laboratory:			
Personnel	5,086,226	5,016,628	(69,598)
Materials and fuel	882,344	787,616	(94,728)
Outside services	496,099	271,189	(224,910)
Support expenses	59,846	55,020	(4,826)
	<u>6,524,515</u>	<u>6,130,453</u>	<u>(394,062)</u>
Engineering:			
Personnel (1)	3,057,841	5,643,772	2,585,931
Materials and fuel	7,699	10,000	2,301
Outside services	52,317	56,000	3,683
Support expenses	49,457	40,000	(9,457)
	<u>3,167,314</u>	<u>5,749,772</u>	<u>2,582,458</u>
Total technical management and support	<u>20,875,472</u>	<u>21,902,133</u>	<u>1,026,661</u>

See accompanying independent auditors' report.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Supplementary Information –  
Schedule of Operating Expenses

Budget and Actual

Year ended December 31, 2019

	<u>Year-to-date Actual</u>	<u>Budget 2019</u>	<u>Variance – Favorable (Unfavorable)</u>
Administrative and general:			
Personnel (1)	14,315,925	14,788,767	472,842
Materials and fuel	461,992	588,146	126,154
Outside services	3,517,536	3,590,096	72,560
Support expenses	<u>2,757,222</u>	<u>2,715,960</u>	<u>(41,262)</u>
Total administrative and general	<u>21,052,675</u>	<u>21,682,969</u>	<u>630,294</u>
Total operating system	81,782,577	83,842,522	2,059,945
Capital outlay	<u>343,101</u>	<u>252,700</u>	<u>(90,401)</u>
Total District system	<u>\$ 82,125,678</u>	<u>\$ 84,095,222</u>	<u>\$ 1,969,544</u>

(1) Personnel has been decreased by \$2,348,310 to reflect staff costs relating to capital projects that were capitalized during 2019.

(2) See Schedule 1 for reconciling expenses

See accompanying independent auditors' report.

**METRO WASTEWATER  
RECLAMATION DISTRICT**  
Combining Statement of Net Position  
Fiduciary Funds  
December 31, 2019

Schedule 3

	Defined Benefit Retirement Plan	Defined Contribution Retirement Plan	Total Fiduciary Funds
Assets:			
Investments, at fair value:			
Cash and short-term investments	\$ 791,962	\$ 174,205	\$ 966,167
Public equity	46,596,837	-	46,596,837
Mutual funds	-	7,327,203	7,327,203
Private equity	4,171,966	-	4,171,966
Stable value funds	-	730,909	730,909
Fixed rate debt	11,215,500	-	11,215,500
Floating rate debt	4,266,668	-	4,266,668
Low volatility strategies	11,864,747	-	11,864,747
Liquid real assets	-	-	-
Real estate	15,650,192	-	15,650,192
Total investments, at fair value:	94,557,872	8,232,317	102,790,189
Distribution receivable	11,015,080	-	11,015,080
Total assets	105,572,952	8,232,317	113,805,269
Liabilities:			
Accrued administrative expenses	31,799	-	31,799
Fiduciary net position restricted for pension benefits	\$ 105,541,153	\$ 8,232,317	\$ 113,773,470

Combining Statement of Net Position  
Fiduciary Funds  
December 31, 2018

	Defined Benefit Retirement Plan	Defined Contribution Retirement Plan	Total Fiduciary Funds
Assets:			
Investments, at fair value:			
Cash and short-term investments	\$ 963,234	\$ 47,695	\$ 1,010,929
Public equity	33,393,980	-	33,393,980
Mutual funds	-	5,221,997	5,221,997
Private equity	3,367,313	-	3,367,313
Fixed rate debt	11,035,496	-	11,035,496
Stable value funds	-	562,229	562,229
Floating rate debt	12,604,345	-	12,604,345
Low volatility strategies	10,536,797	-	10,536,797
Liquid real assets	4,227,579	-	4,227,579
Real estate	14,771,249	-	14,771,249
Total investments, at fair value:	90,899,993	5,831,921	96,731,914
Total assets	90,899,993	5,831,921	96,731,914
Liabilities:			
Accrued administrative expenses	39,061	-	39,061
Fiduciary net position restricted for pension benefits, as restated, (see note 2m)	\$ 90,860,932	\$ 5,831,921	\$ 96,692,853

**METRO WASTEWATER  
RECLAMATION DISTRICT**

**Schedule 4**

Combining Statement of Changes in Net Position

Fiduciary Funds

December 31, 2019

	Defined Benefit Retirement Plan	Defined Contribution Retirement Plan	Total Fiduciary Funds
Additions:			
Investment income:			
Net appreciation (depreciation) in fair value of investments	\$ 13,116,354	\$ 1,354,121	\$ 14,470,475
Interest and dividend income	2,198,932	-	2,198,932
Less investment expense	(491,583)	-	(491,583)
Net investment income	14,823,703	1,354,121	16,177,824
Contributions from employer	5,700,935	771,809	6,472,744
Contributions from employee	1,472,473	837,611	2,310,084
Total additions	21,997,111	2,963,541	24,960,652
Deductions:			
Benefit payments	7,240,476	560,089	7,800,565
Administrative expenses	76,414	3,056	79,470
Total deductions	7,316,890	563,145	7,880,035
Net increase (decrease) in plan fiduciary net position	14,680,221	2,400,396	17,080,617
Fiduciary net position restricted for pension benefits:			
Beginning of year	90,860,932	5,831,921	96,692,853
End of year	\$ 105,541,153	\$ 8,232,317	\$ 113,773,470

Combining Statement of Changes in Net Position

Fiduciary Funds

December 31, 2018

	Defined Benefit Retirement Plan	Defined Contribution Retirement Plan	Total Fiduciary Funds
Additions:			
Investment income:			
Net appreciation (depreciation) in fair value of investments	\$ (4,246,164)	\$ (393,626)	\$ (4,639,790)
Interest and dividend income	1,943,289	-	1,943,289
Less investment expense	(467,150)	-	(467,150)
Net investment (loss)	(2,770,025)	(393,626)	(3,163,651)
Contributions from employer	5,019,996	623,718	5,643,714
Contributions from employee	1,483,945	938,707	2,422,652
Total additions	3,733,916	1,168,799	4,902,715
Deductions:			
Benefit payments	7,085,818	70,007	7,155,825
Administrative expenses	48,345	2,083	50,428
Total deductions	7,134,163	72,090	7,206,253
Net increase (decrease) in plan fiduciary net position	(3,400,247)	1,096,709	(2,303,538)
Fiduciary net position restricted for pension benefits:			
Beginning of year, restated	94,261,179	4,735,212	98,996,391
End of year	\$ 90,860,932	\$ 5,831,921	\$ 96,692,853

# STATISTICAL SECTION

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This section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Net Position by Component

(Last Ten Fiscal Years)

(Unaudited)

	<b>Fiscal Year</b>									
	<u>2019</u>	<u>2018</u>	<u>2017<sup>(3)</sup></u>	<u>2016</u>	<u>2015</u>	<u>2014<sup>(2)</sup></u>	<u>2013</u>	<u>2012<sup>(1)</sup></u>	<u>2011<sup>(1)</sup></u>	<u>2010</u>
Enterprise Fund:										
Net Investment in capital assets	\$ 649,061,488	571,522,642	510,877,257	460,051,937	429,463,120	415,810,616	395,807,892	394,336,618	401,101,647	381,937,321
Restricted	32,330,709	31,052,196	29,921,766	30,015,798	28,751,323	19,240,514	42,784,764	29,392,546	17,680,793	18,813,973
Unrestricted	<u>263,659,868</u>	<u>293,952,857</u>	<u>296,623,363</u>	<u>300,634,133</u>	<u>269,101,343</u>	<u>229,052,829</u>	<u>194,045,456</u>	<u>161,508,493</u>	<u>135,481,268</u>	<u>125,418,598</u>
Total Enterprise Fund net position	<u>\$ 945,052,065</u>	<u>896,527,695</u>	<u>837,422,386</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>

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

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

(3) As restated for implementation of GASB No. 75.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Changes in Net Position

(Last Ten Fiscal Years)

(Unaudited)

<u>Fiscal Year</u>		<u>Operating revenue</u>	<u>Operating expenses</u>	<u>Operating income</u>	<u>Nonoperating revenues/ expenses</u>	<u>Income/Loss before capital contributions</u>	<u>Capital contributions and special items (1)</u>	<u>Change in net position</u>
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	(4)	128,756,972	117,910,988	10,845,984	(20,165,815)	(9,319,831)	59,490,896	50,171,065
2018		132,848,289	121,721,978	11,126,311	(16,176,605)	(5,050,294)	64,155,603	59,105,309
2019		134,209,798	129,973,134	4,236,664	(7,344,290)	(3,107,626)	51,631,996	48,524,370

(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.

(4) As restated for implementation of GASB No. 75.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Annual Revenues by Source

(Last Ten Fiscal Years)

(Unaudited)

<b>Fiscal Year</b>	<b>Annual charges to connectors</b>	<b>Other operating revenue</b>	<b>Sewer connection fees</b>	<b>Investment income</b>	<b>Other nonoperating revenue and special items</b>	<b>Total revenue</b>
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
2018	129,546,460	3,301,829	64,155,603	5,844,697	3,629,718	206,478,307
2019	132,137,389	2,072,409	51,631,996	11,317,707	2,703,617	199,863,118

(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)

<b>Fiscal Year</b>	<b>Wastewater transmission</b>	<b>Wastewater treatment</b>	<b>Solids processing</b>	<b>Solids recycling</b>	<b>Engineering services</b>	<b>Laboratory services</b>	<b>Support operations and maintenance</b>	<b>Administrative and general</b>	<b>Depreciation</b>	<b>Total operating expenses</b>	<b>Nonoperating expenses</b>	<b>Total expenses</b>
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	(2) 1,611,834	17,080,977	8,417,218	8,401,488	3,286,382	5,429,026	9,037,837	21,206,232	43,439,994	117,910,988	27,838,771	145,749,759
2018	1,933,139	18,086,763	8,668,269	9,286,612	3,312,549	5,990,846	9,573,120	22,778,547	42,092,133	121,721,978	25,651,020	147,372,998
2019	2,103,035	19,343,183	10,260,429	9,599,778	3,650,622	6,969,050	11,709,653	22,358,081	43,979,303	129,973,134	21,365,614	151,338,748

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

(2) As restated for implementation of GASB No. 75.

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. Approximately \$2,498,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2018. Approximately \$2,348,000 of engineering wages associated with construction projects and Information Service Division wages associated with software implementation were capitalized in 2019.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Nonoperating Revenues and Expenses

(Last Ten Fiscal Years)

(Unaudited)

<u>Fiscal year</u>		<u>Investment income (expense)</u>	<u>Interest expense</u>	<u>Bond issuance costs</u>	<u>Intergovernmental revenue (expense)</u>	<u>Gain (loss) on disposal of capital assets</u>	<u>Other revenue/ (expense)</u>	<u>Total nonoperating revenues/ (expenses)</u>
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)
2018		5,844,697	(23,853,490)	-	3,376,025	(663,251)	(880,586)	(16,176,605)
2019		11,317,707	(19,269,915)	(1,407,833)	2,187,548	(68,975)	(102,822)	(7,344,290)

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

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Wastewater Treated

(Last Ten Fiscal Years)

(Unaudited)

<b>Fiscal Year</b>	<b>Average gallons of wastewater treated (millions)</b>	<b>Annual charges (millions)</b>	<b>Annual charges per average million gallons per day (millions)</b>
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
2018	129.0	129.5	1.0
2019	133.0	132.1	1.0

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Annual Sewer Connections

(Last Ten Fiscal Years)

(Unaudited)

<b>Fiscal year</b>	<b>Total sewer connections</b>	<b>Cost per single family residential equivalent</b>
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
2018	18,549	4,270
2019	13,251	4,270

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Number of Sewer Customers by Type

(Last Ten Fiscal Years)

(Unaudited)

<u>Fiscal year</u>	<u>Municipalities</u>	<u>Special connectors</u>	<u>Industrial</u>	<u>Total</u>
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
2018	22	26	2	50
2019	22	26	2	50

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Ten Largest Customers

(Current Year and Nine Years Ago)

(Unaudited)

Customer	Fiscal year 2019	
	Sewer revenue	
	Amount	Percentage
City and County of Denver	\$ 52,208,905	39.5%
City of Aurora	29,388,634	22.2%
City of Thornton	10,764,391	8.1%
City of Arvada	8,475,540	6.4%
City of Westminster	3,025,402	2.3%
Bancroft-Clover Water and Sanitation District	2,764,522	2.1%
City of Lakewood	2,595,097	2.0%
Green Mountain Water and Sanitation District	2,452,735	1.9%
Lakehurst Water and Sanitation District	1,820,814	1.4%
North Washington Street Water and Sanitation District	1,725,181	1.3%
Cherry Creek Valley Water and Sanitation District	1,586,319	1.2%
Subtotal (10 largest)	116,807,540	88.4%
Balance from other customers	15,329,849	11.6%
Grand Totals	\$ 132,137,389	100.0%

Customer	Fiscal year 2010	
	Sewer revenue	
	Amount	Percentage
City and County of Denver	\$ 33,566,436	38.8%
City of Aurora	17,129,205	19.8%
City of Thornton	6,318,513	7.3%
City of Arvada	5,464,687	6.3%
North Washington Street Water and Sanitation District	2,856,005	3.3%
City of Lakewood	2,187,647	2.5%
City of Westminster	2,181,593	2.5%
Bancroft-Clover Water and Sanitation District	1,687,923	2.0%
Green Mountain Water and Sanitation District	1,669,939	1.9%
Lakehurst Water and Sanitation District	1,153,610	1.3%
Subtotal (10 largest)	74,215,558	85.9%
Balance from other customers	12,227,577	14.1%
Grand Totals	\$ 86,443,135	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 (4)	Total	
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 (5)	73,405,388	118,773,985	22,370,000	23,286,846	45,656,846	2.60
2018	132,848,289	64,155,603	5,844,697	202,848,589	76,682,721	126,165,868	23,985,000	22,299,275	46,284,275	2.73
2019	134,209,798	51,631,996	11,317,707	197,159,501	82,125,678	115,033,823	27,385,000	21,609,030	48,994,030	2.35

(1) Operating expenses include 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) Net of 2009B BABS interest refund.

(5) As restated for implementation of GASB No. 75.

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Ratios of Outstanding Debt

(Last Ten Fiscal Years)

(Unaudited)

<b>Fiscal Year</b>	<b>Outstanding principal - revenue bonds (thousands of dollars)</b>	<b>Personal income (millions of dollars)</b>	<b>Per capita personal income</b>	<b>Outstanding principal debt to personal income</b>
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	172,311,400	59,660	0.34
2018	569,574	188,515,221	64,287	0.30
2019	539,842	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)

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal income (thousands of dollars)</b>	<b>Per capita personal income</b>	<b>Unemployment rate percentage</b>
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	2,888,227	172,311,400	59,660	3.1
2018	2,932,415	188,515,221	64,287	3.6
2019	N/A	N/A	N/A	2.5

(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)

<b>Employer</b>	<b>2019</b>			<b>Employer</b>	<b>2010</b>		
	<b>Employees</b>	<b>Percentage of total (1)</b>	<b>Rank</b>		<b>Employees</b>	<b>Percentage of total (2)</b>	<b>Rank</b>
HealthONE Corporation	12,410	0.71%	1	HealthONE	9,640	0.72%	1
SCL Health System	9,970	0.57	2	CenturyLink	7,380	0.55	2
Centura Health	9,450	0.54	3	Exempla Healthcare	7,320	0.55	3
UCHealth	9,380	0.54	4	Lockheed Martin	7,220	0.54	4
Lockheed Martin Corporation	8,990	0.51	5	Centura Health	6,370	0.48	5
Comcast	7,250	0.41	6	Kaiser Permanente	5,870	0.44	6
Children's Hospital Colorado	7,150	0.41	7	DISH Network	4,690	0.35	7
United Airlines	7,000	0.40	8	United Airlines	4,500	0.34	8
Kaiser Permanente	6,610	0.38	9	Wells Fargo Bank	4,400	0.33	9
CenturyLink	6,500	0.37	10	University of Denver	4,310	0.32	10
<b>Total</b>	<b>84,710</b>			<b>Total</b>	<b>61,700</b>		

**Source:** Metro Denver Economic Development Corporation

(1) Total employed - 2018	1,748,061
(2) Total employed - 2010	1,339,100

**METRO WASTEWATER  
RECLAMATION DISTRICT**

Number of Employees by Activity

(Last Ten Fiscal Years)

(Unaudited)

	<b>Full-time-equivalent employees as of December 31,</b>									
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016*</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Administrative Services	63.00	62.00	58.00	59.00	66.00	67.00	67.00	67.00	67.00	66.00
Engineering	39.75	38.00	36.75	37.75	39.75	38.75	38.00	40.00	34.00	31.00
Environmental Services	77.00	70.00	68.50	70.50	68.50	63.50	61.50	59.00	61.00	61.00
Human Resources	12.00	12.00	12.00	5.00	—	—	—	—	—	—
Maintenance	79.00	79.00	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	2.00	2.00	—	—	—	—	—	—
Office of the Manager (including legal services from 2008-2015)	4.00	3.00	2.00	3.00	8.00	7.00	7.00	5.00	11.00	12.00
Operations	46.00	45.00	42.00	46.00	—	—	—	—	—	—
RWHTF Operations and Maintenance	—	—	—	—	133.75	136.00	136.00	139.00	137.00	131.00
Resource, Recovery & Reuse	70.00	73.00	72.00	71.00	43.00	38.00	41.00	44.00	41.00	42.00
Strategy & Innovation	15.00	16.00	12.00	9.00	—	—	—	—	—	—
<b>Total</b>	<b>407.75</b>	<b>400.00</b>	<b>374.25</b>	<b>376.25</b>	<b>370.25</b>	<b>353.25</b>	<b>352.50</b>	<b>356.00</b>	<b>352.00</b>	<b>343.00</b>

\* 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Wastewater Treatment</b>										
Number of Wastewater Plants	2	2	2	2	1	1	1	1	1	1
Treatment Capacity (mgd) (1)	249	249	249	249	225	225	225	225	225	225
Average Flow Treated (mgd) (1)	133	129	133	137	148	133	130	129	130	133
BOD (tpd) (2) (3)	171	162	160	166	164	155	156	142	153	157
TSS (tpd) (4)	186	170	181	171	170	168	170	148	154	167
Flow Permit Limits	249	249	249	249	220	220	220	220	220	220
BOD Permit Limits	240	240	240	240	212	212	212	212	212	212
<b>Biosolids:</b>										
Dry tons distributed	29,338	30,621	30,149	29,640	28,961	27,525	26,068	27,026	26,589	25,616
Truck miles driven	907,080	866,302	890,286	867,581	839,631	736,493	663,805	819,752	709,335	678,756
Truck loads	6,843	7,173	7,005	6,622	6,527	6,001	5,818	6,326	5,849	5,491
Acres biosolids applied to	13,697	13,360	13,975	16,537	16,765	16,912	13,965	15,222	13,179	14,204
<b>Facility inspection:</b>										
Line cleaning - feet	179,636	181,607	183,216	189,260	182,485	181,627	170,939	167,537	180,613	188,502
Surface inspection - number	2,502	2,478	2,624	2,788	2,481	2,910	2,259	2,349	2,473	2,420
TV inspection - feet	106,617	129,479	114,576	176,982	131,356	149,829	133,263	136,206	129,432	152,992
<b>Cogeneration production:</b>										
Energy output - kwhs (5)	34,023,964	31,765,767	28,792,361	30,421,280	32,183,360	30,869,600	31,838,560	31,603,520	34,017,200	33,300,000
District-Wide Personnel at Year-End:	407.75	400.00	374.25	376.25	370.25	353.25	352.50	356	352	343

- (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