2021

ANNUAL REPORT

METROPOLITAN
UTILITIES DISTRICT




TO OUR CUSTOMER-OWNERS,

The year 2021 was a significant one, both financially and operationally, for your natural gas and water utility. The District continued to lay the groundwork for the future through investments in infrastructure, systems and people to meet the growing needs of our community. Additionally, the financial health of your utility was affirmed via the issuance of very strong third-party credit ratings. In July 2021, S&P Global Ratings upgraded the credit rating for our Water Department to AA/Stable, its third highest rating. In February 2022, Fitch Ratings affirmed the AA+/Stable credit rating for our Gas Department, its second highest rating.

And while the second year of the pandemic had its challenges, we are pleased to report the District's operations remained stable, allowing for the continued delivery of life-essential services to our customer-owners.

When the midsection of the United States was struck by a polar vortex in February 2021, the District reliably met customer demand for natural gas. During the six-day stretch of extremely cold weather, customers used approximately 50% more gas than average. We were able to meet this record demand due to the efforts of our dedicated employees and a variety of supply and storage strategies. District-owned storage delivered nearly 40% of natural gas to our customers over the weeklong period. In addition to providing service reliability, our facilities shielded the District from spending an additional $100 million on gas purchases during record high prices, which greatly benefited our customers.

Our entire team is proud of these results; however, we continue to strive to do even better by improving the reliability and resiliency of our system. To that end, the M.U.D. Board of Directors approved a $78 million capital improvement project to expand our liquefied natural gas plant, which will substantially improve the reliability of the facility for the next 40 years. This project, which will be financed with revenue bonds, is anticipated to be completed in 2025.

The reliability of natural gas continues to play a vital role in the generation mix for electric utilities as they transition away from coal to renewable sources. As the energy industry implements strategies to pursue lower-carbon outputs, natural gas utilities – including M.U.D. – are committed to sustainable solutions.

On the water side of the business, we reached a significant milestone with the completion of a digital hydraulic model. This powerful tool allows the District to analyze and optimize current operations, as well as evaluate potential expansions to the system. The model also provides vital information we are using to develop a master plan for our water distribution system and a roadmap for the coming decades.

We surpassed the halfway mark for the 20-year capital improvement plan for the Florence Water Treatment Plant, completing renovations on Basin 3 and improvements to the low-service pumping station which draws source water from the Missouri River. The Platte South Water Treatment Plant was taken out of service for several months to complete a filter valve replacement project. Overall system reliability was not impacted by these projects. In fact, the Platte West Water Treatment Plant set a pumping record with an average of 38.92 million gallons a day for the year. This is a prime example of what we call the "Triangle of Reliability," which allows us to balance water production between our three treatment facilities to provide an ample supply of high-quality water to the community.

District crews and contractors continued to update critical, aging gas and water distribution mains through our infrastructure replacement program, completing 45 miles of gas mains and 14 miles of water mains. In addition, we assessed the condition of nearly one mile of water main using innovative technologies to inspect the pipe. This data helped the District with rehabilitation decisions to mitigate the risk of future breaks.

As the District ramps up the pace of infrastructure replacement, we are implementing strategies to ensure we have the staffing levels and facilities required

to achieve our annual mileage goals. The District purchased more than 50 acres of land near Highway 133 and State Street as the future site of our second Construction Center. We are also developing plans to renovate the existing Construction Center, north of 60th and Grover Streets, that will accommodate operational needs and provide training areas for field employees. We are excited for the opportunity to provide new and improved facilities that will positively impact current and future employees.

We continued to build a total safety culture with employees. Our number of recordable injuries was maintained this year and came down 70% between 2019 and 2020. We also saw a 24% reduction in the number of preventable vehicle accidents. We are proud of our outstanding safety performance, especially as employees worked through challenging conditions related to the pandemic.

In addition to providing a safe work environment, the District is committed to employing a diverse workforce reflecting the community we serve and is inclusive of and respects employees' individual differences. We continued efforts to transform our workplace, supporting dedicated initiatives to cultivate diversity and inclusion within our organization. We engaged our employees through focus groups, educational sessions and networking activities, including cultural and women's employee resource groups.

While the pandemic changed some of our customer and community engagement efforts, we remained focused on improving the customer experience. We began a new training program to educate employees and contractors on the District's expectations for providing a positive customer experience. We conducted a customer satisfaction survey which will serve as a baseline for future surveys and offered insight on where we need to make improvements. We provided proactive communications with customers, including posting messages on Nextdoor to neighborhoods about infrastructure replacement projects. You will see more infographics about our customer engagement efforts later in this report. We hope you enjoy the more visual look highlighting the District's achievements and annual statistics.

The District continued optimizing the organization and succession planning following several retirements. We were pleased to welcome Chief Operations Officer Gina Langel and Chief Information Officer Sue Lobsiger to the senior leadership team. They each bring unique skills, perspectives and experiences that are invaluable as we plan and execute our vision for the District's future.

In everything we do, we remain focused on maintaining the confidence of our customer-owners. On behalf of our board, leadership team and employees, thank you for the opportunity to provide safe, reliable and cost-effective natural gas and water services to our community.

Mark E. Doyle

Mark E. Doyle
President

Jack A Frost

Jack Frost
M.U.D. Board Chairperson

THEN AND NOW

Prior to 1913, Omaha residents received their water and gas services from private water and gas companies. Fed up with high costs, constant ownership changes and poor service, they voted to take control and ownership of their utilities. And on March 3, 1921, the Nebraska Legislature formed the Metropolitan Utilities District. From that day, we vowed to provide our community with safe, reliable and cost-effective services.

Today, we continue to provide quality services at rates lower than area investor-owned utilities and among the lowest in the Midwest. We proudly serve natural gas to more than 237,000 customers, making us the fifth largest public gas utility in the U.S. We also provide safe drinking water to more than 222,000 customers, meaning we provide life-essential services to nearly 600,000 people in the region.

We own and operate three water treatment facilities and an extensive water distribution system capable of supplying over 300 million gallons of water per day to our customers. The tap water we deliver is tested more than 1,000 times per day by our team of chemists and biologists to ensure it meets every federal and state standard outlined by the U.S. Environmental Protection Agency. We also maintain more than 27,000 hydrants for fire protection.

The natural gas we provide is an economical, safe and environmentally-friendly energy option. In addition to having long-term supply contracts, we own and operate gas storage facilities. These assets help ensure our customers' homes stay warm even on the coldest days, while saving more than $9 million a year in pipeline transportation costs.

We take natural gas safety very seriously. Our experienced personnel routinely inspect and maintain natural gas mains, and crews are available to respond to emergencies 24/7.

OUR MISSION

To provide safe, reliable and cost-effective natural gas and water services to our community.

OUR VISION

To maintain our commitment to serve our community, while becoming one of the nation's top utilities.

CORE VALUES

Safety, Reliability, Fiscal Responsibility and Organizational Excellence

OUR BOARD OF DIRECTORS

JACK FROST
Board Chairperson

TANYA COOK
Vice Chairperson

JAMES BEGLEY
Director

TIM CAVANAUGH
Director

DAVID FRIEND
Director

GWEN HOWARD
Director

MIKE McGOWAN
Director

OUR SENIOR MANAGEMENT

MARK DOYLE
President

STEVE AUSDEMORE
SVP, Safety, Security & Field Operations

GINA LANGEL
SVP, Chief Operations Officer

SUE LOBSIGER
SVP,Chief Information Officer

MARK MENDENHALL
SVP, General Counsel

JOE SCHAFFART
SVP, Chief Financial Officer

Water Department	2021	2020	2019
Number of Customers (Dec.)	222,715	220,625	218,116
Sales (1,000 Gallons)	30,811,555	31,021,093	27,746,974
Operating Revenues (net)	$142,487,197	$139,949,533	$121,260,962
Operating Expenses	$88,868,925	$87,663,411	$92,350,493
Operating Income	$53,618,272	$52,286,122	$28,910,469
Plant Additions/Replacements (net)	$53,156,411	$70,435,790	$49,545,081
Plant in Service	$1,285,258,123	$1,202,896,350	$1,159,933,052
Miles of Mains	3,110	3,027	2,985
Average Daily Pumpage (1,000 Gallons)	93,421	93,124	82,482

Gas Department	2021	2020	2019
Number of Customers (Dec.)	237,834	235,485	232,769
Sales (Dth):			
Firm	26,773,756	28,139,754	30,853,007
Interruptible	4,919,376	4,208,187	5,366,081
Total	31,693,132	32,347,941	36,219,088
Operating Revenues (net)	$247,580,792	$189,949,801	$223,266,292
Cost of Gas Sold	$140,342,276	$87,036,070	$114,501,720
Other Operating Expenses	$59,601,135	$61,064,036	$69,889,570
Operating Income	$47,637,381	$41,849,695	$38,875,002
Plant Additions/Replacements (net)	$48,996,092	$46,219,693	$44,073,867
Plant in Service	$694,206,264	$667,921,516	$631,065,357
Miles of Mains	2,931	2,896	2,866
Average Daily Sendout (Dth)	91,107	91,011	102,140
# of Active Employees (Water and Gas)	823	815	817

Financial Stability Measures

		2021	2020
Debt Service Coverage The District continues to be in compliance with water and gas revenue bond debt service requirements.	Water Debt Service Coverage Ratios	3.35x	3.57x
	Gas Debt Service Coverage Ratios	26.60x	21.18x
	Debt Service Coverage Requirements	1.20x	1.20x
Cash Reserves Days cash on hand as of December 31.	Water Department	389 Days	354 Days
	Gas Department	232 Days	388 Days
Pension Funding Continued focus on the promise to our employees related to proper pension plan funding.	Funded Ratio *(Actuarial Value of Assets/ Actuarial Liability)*	97%	94%
Other Post-Employment Benefits (OPEB) Funding Continued focus on the promise to our employees related to proper OPEB plan funding.	District Contribution to OPEB Trust Fund *($ in millions)*	$9.7	$11.6

Credit Rating	M.U.D. Water Revenue Bonds - S&P Global Ratings (*July 2021*)	AA
	M.U.D. Gas Revenue Bonds - Fitch Ratings (*February 2022*)	AA+

According to the 2021 Memphis Light, Gas and Water Utility Rate Survey, M.U.D. ranks:

2nd

Lowest residential gas rates among **40** utilities surveyed.

14th

Lowest residential water rates among **40** utilities surveyed.

Partnered with the Douglas County COVID-19 Utility Assistance Program to distribute $1 million, helping 2,000 customers with their bills.

HOME FUND

$104,030

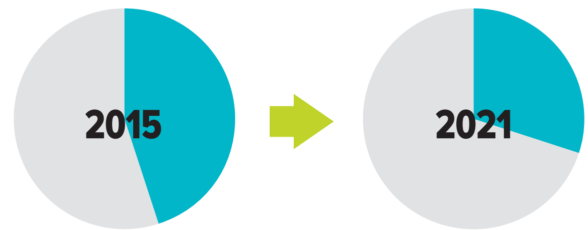
Raised in 2021 for the Heat the Streets Run & Walk for Warmth

814 Customers

Received **$271,844** in utility assistance. That's an average of **$334** per customer.

28%

Decrease in gas emergency response time since 2015



25.9 minutes

18.2 minutes

10

Recordable injuries in 2021

10 Injuries in 2020.

13

Vehicle accidents in 2021

17 Accidents in 2020.

1.1

YTD recordable injury rate

Recordable injury rate = number of recordable injuries x 200,000/ number of hours worked

Goal Rate: 1.6

4.3

YTD preventable vehicle accident rate

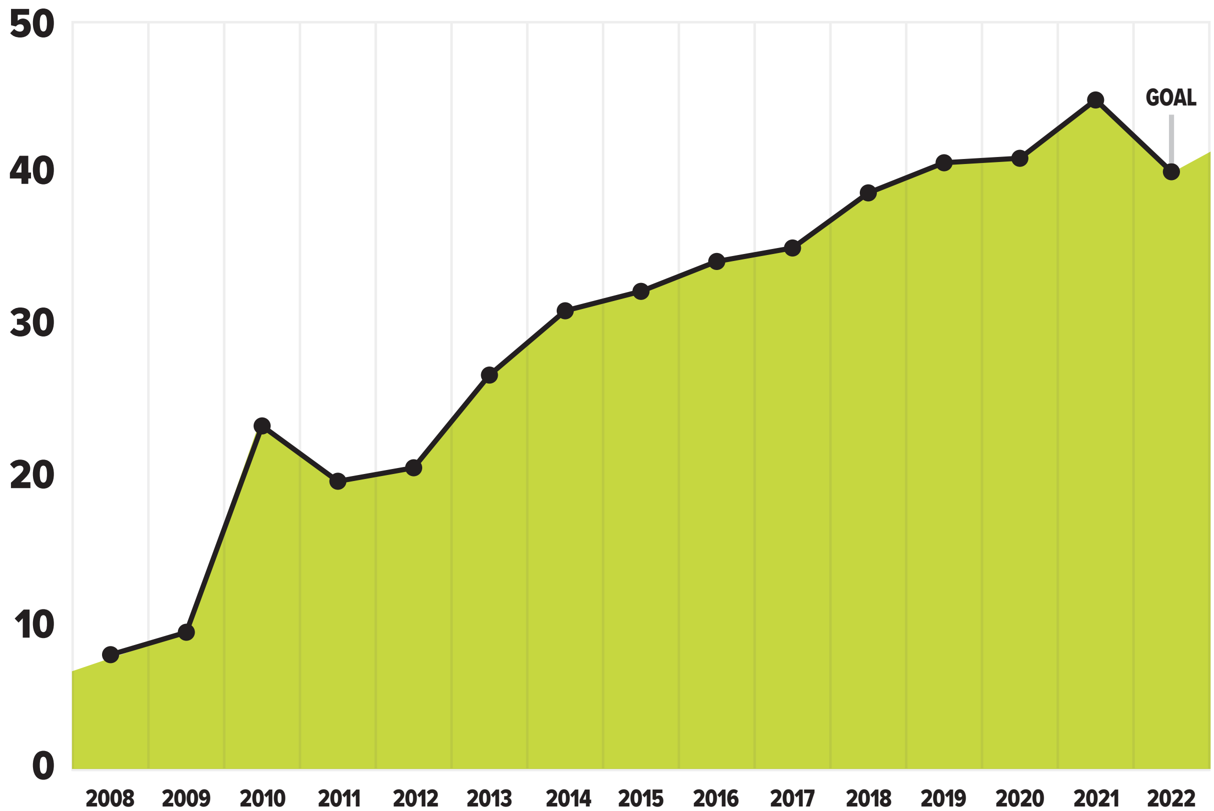
Preventable vehicle accident rate = number of preventable accidents x 1,000,000/number of miles driven

Goal Rate: 4.3

142,000

Utilities (gas and water lines) located by the District in 2021

Gas Infrastructure Mileage Replaced



From 2008 → 2021, the District replaced

GAS 0402

of cast iron gas mains & 45,655 gas services

CO_2

408,083

Metric tons of carbon dioxide emissions removed from 2008 to 2020 through gas IR program.

=

450 Million
pounds of coal burned.

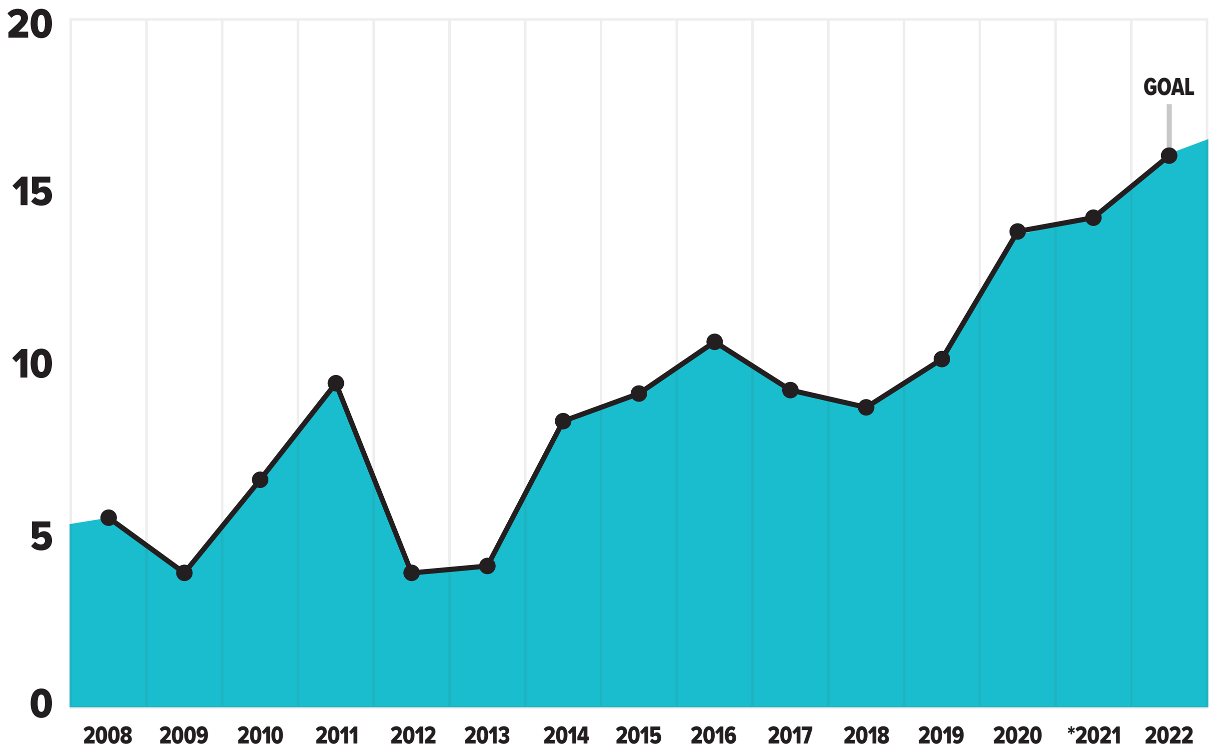
or

46 Million
gallons of gasoline consumed.

or

47,090
homes' energy use for one year.

Water Infrastructure Mileage Replaced and Evaluated

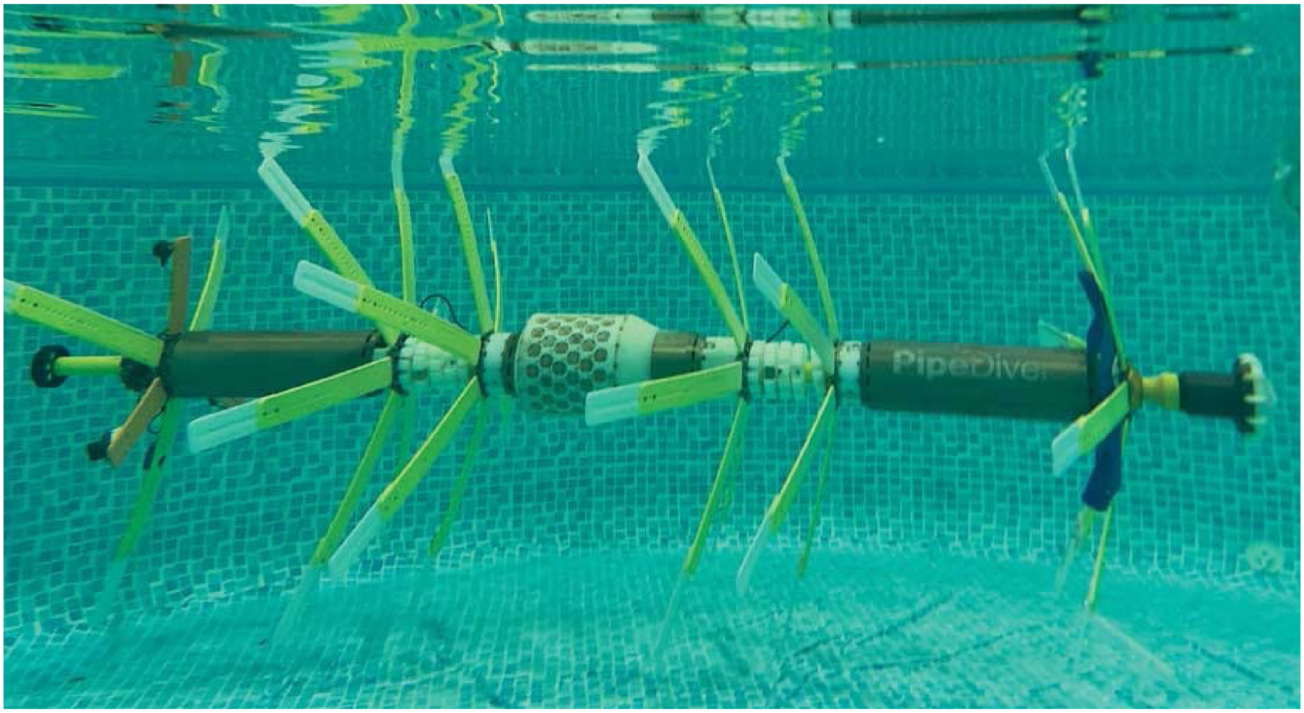


*Additional 0.95 miles of conditional assessment completed for additional risk mitigation.

From 2008 → 2021, the District replaced

MILES 0116

of water mains



The District is using different technologies, including the Pure Technologies Pipe Diver (above) and the PICA SeeSnake (below), to assess the condition of water mains that are critical to system reliability and in “high consequence” locations. The Pipe Diver is a free-swimming platform that will allow us to navigate the many bends and tees along a critical transmission main without the need for costly access points. We piloted the SeeSnake on a couple of projects, including assessment of a 12-inch water main in Dodge Street between Methodist and Children’s hospitals. These tools offer highly granular data allowing our crews to make “surgical repairs” to the water main, only replacing or protecting what is needed to ensure the longest possible service life.

The 2021 Polar Vortex

Record gas prices across the industry in February 2021.

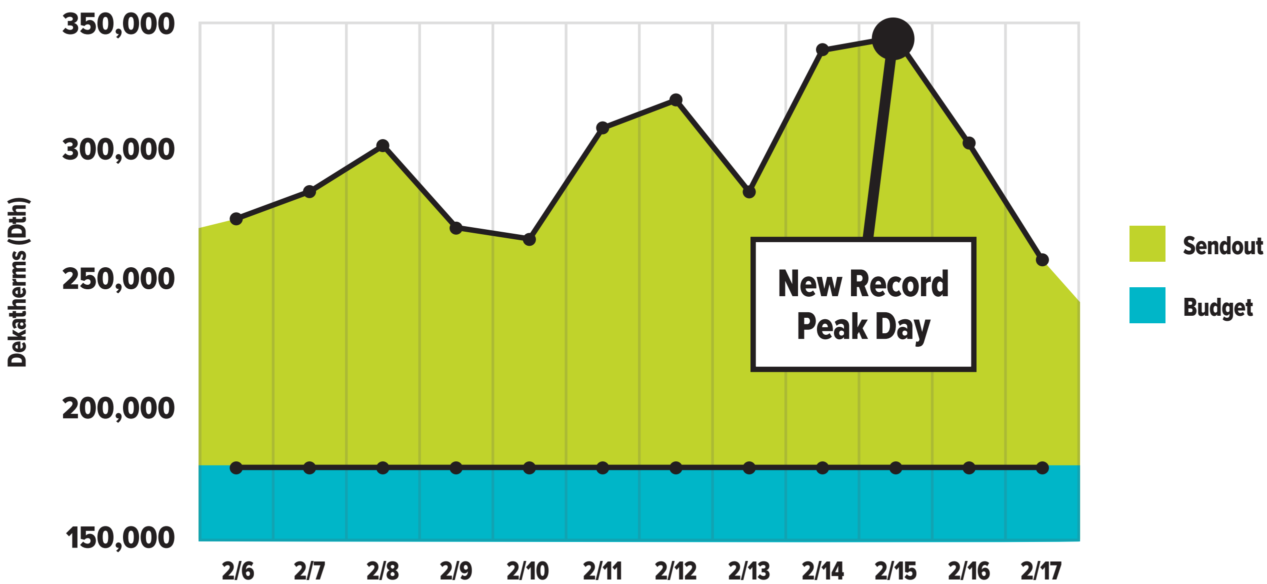
$100M

In customer savings thanks to our storage strategies and supply contracts.

50%

More gas used by customers during the Polar Vortex.

Polar Vortex Gas Sendout vs. Budget




CUBIC
FEET
sensus
19460146
M.U.D.
516846
M.U.D. NO. 516846
WARNING!
STATE LAW PROVIDES A SEVERE PENALTY for tampering with this meter or using any method or device to permit the flow of unmetered gas. Tampering with this meter and/or its related piping may result in a SHUT-OFF OF SERVICE and CRIMINAL PROSECUTION.
811
Smell gas? Call 402-554-7777
Omaha Metro Area 402-344-3565
Outside Omaha 1-800-331-5666
Metropolitan Utilities District

Years of Service at the District

8
Employees

49
Employees

137
Employees

217
Employees

416
Employees

40+

30

20

10

0

Employee Recognition Data for 2021

155 employees received kudos from an external customer.

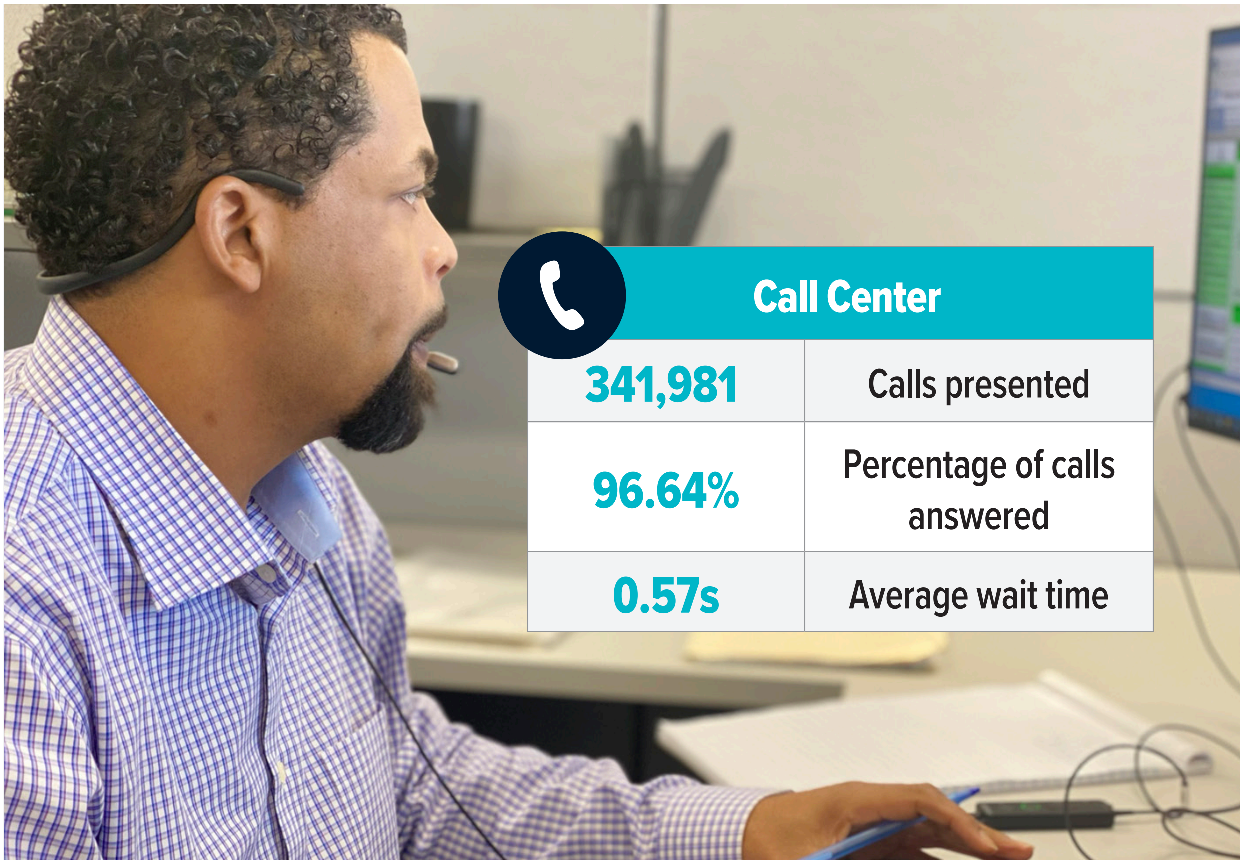
(Customer called or wrote to the District to compliment an employee)

85 employees received appreciation from their teammates.

(Outstanding efforts made beyond normal job duties)

100 employees received recognition from internal customers.

(Day-to-day recognition of a job well done)



Call Center

341,981	Calls presented
96.64%	Percentage of calls answered
0.57s	Average wait time

Proactive Outreach for Infrastructure Replacement Projects

6,948	Number of notification letters sent to customers
1,283	Number of emails or phone calls to customers

Customer and Employee Surveys

16	Total surveys
4,787	Total survey responses

Social Media Metrics

	Following	Posts	Impressions
Facebook	2,644	209	206,002
Twitter	3,762	1480	1,989,700
Nextdoor	250,472 members	54	313,457
LinkedIn	1,452	98	33,348

Service Orders

12,001	Emergency orders
167,048	Non-emergency orders

Customer Experience

101	Employees completing customer experience training

METROPOLITAN UTILITIES DISTRICT

Financial Statements and Supplemental Schedules

December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

METROPOLITAN UTILITIES DISTRICT

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RSM US LLP

Independent Auditor's Report

Board of Directors
Metropolitan Utilities District

Opinions
We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Utilities District (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Utilities District, as of December 31, 2021 and 2020, 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.

Basis for Opinions
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

In performing in an audit in accordance with GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other postemployment benefit plan and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and although, not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers them 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
Management is responsible for the other information included in the annual financial report. The other information comprises the supplemental and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

RSM US LLP

Omaha, Nebraska
March 28, 2022

METROPOLITAN UTILITIES DISTRICT

Management's Discussion and Analysis

December 31, 2021 and 2020

"Management's Discussion and Analysis" presents management's analysis and overview of the Metropolitan Utilities District's (the District) financial condition and activities as of and for the years ended December 31, 2021 and 2020. This information should be read in conjunction with the Financial Statements, Notes to Basic Financial Statements and Required Supplementary Information.

Overview of Financial Statements

Management's discussion and analysis serves as an introduction to the financial statements and supplementary information. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities.

The statement of net position presents information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the District's financial position.

The statement of revenues, expenses, and changes in net position presents information on how the District's net position changed during the year; all revenues and expenses are accounted for in this statement. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The notes to the financial statements provide required disclosures and additional information that is necessary to support the financial statements. The notes begin on page 24.

COVID-19 Pandemic

The COVID-19 pandemic was a significant event in 2020 and 2021, with world-wide implications. Since the District supplies potable water and natural gas, both deemed life essential services, the demand for our products was minimally impacted by the pandemic. The District incurred approximately $1.2 million in incremental costs in 2020 due to the pandemic, consisting primarily of overtime costs associated with employees quarantining in our three water treatment plants to ensure uninterrupted supply of potable water to our customers. Incremental costs in 2021 were minimal and entirely offset by proceeds from the sale of surplus equipment purchased in 2020 for employees quarantining at the water treatment plants coupled with reimbursement from Federal Emergency Management Agency funds.

The District relied on a structured Incident Command approach, as delineated in our Business Continuity Plan, to address the challenges associated with the pandemic, and at no time was our ability to provide natural gas and potable water disrupted. We did note a slowing in payment patterns due to the financial hardships experienced by our customers which contributed to increased bad debt expense for both the Gas and Water Departments in 2020 as compared with prior years. Payment patterns improved in 2021 as reflected in decreased bad debt expense for both the Gas and Water Departments as compared with 2020.

Considering the unpredictable nature and duration of the pandemic, the District deferred approximately $20 million in budgeted expenditures in 2020, both in the form of reduced capital spending and deferred hiring, aimed at preserving the liquidity and financial strength of the District. These actions allowed the District to maintain liquidity well above internal targets and additional deferrals were not deemed necessary in 2021.

In response to the financial hardships faced by some customers due to the pandemic, the District temporarily suspended service disconnections and late payment charges in 2020. In addition, the District delayed its planned Water Department rate increase from January 2 to May 2, 2021. The District also helped customers secure utility assistance funds available through federal, state and county agencies. Our customers in need received Coronavirus Aid, Relief and Economic Security (CARES) Act grants of $1.0 million and $2.1 million in 2021 and 2020, respectively. In addition, our customers received grants of $1.8 million in 2021 for utilities assistance from the Consolidated Appropriations Act.

Though the pandemic was clearly disruptive to the District and its customers, it did not have a material impact on the financial results for the District in 2020 or 2021, nor do we expect it to in future years.

Financial Highlights

The District's overall financial position and results of operations for the current and prior years are summarized in the paragraphs and exhibits to follow.

Gas Department

	2021		2020		2019	
Sales, volume sold – DTH:		%		%		%
Firm gas sales	26,773,756	84	28,139,754	87	30,853,007	85
Interruptible gas sales	4,919,376	16	4,208,187	13	5,366,081	15
Total gas sales	31,693,132	100	32,347,941	100	36,219,088	100
Heating degree days	5,323		5,648		6,206	
Customers (at December 31):						
Firm customers	237,814		235,456		232,742	
Interruptible customers	20		29		27	
	237,834		235,485		232,769	

Gas volumes sold in 2021 decreased 654,809 DTH, or 2.0% from 2020 due primarily to warmer winter weather, as evidenced by the 5.8% decrease in the number of heating degree days, despite the increased volumes in February associated with Winter Storm Uri. There was an increase in firm gas customers in 2021 of 2,358 or 1.0%; the number of interruptible customers decreased by 9, from 29 to 20.

Gas volumes sold in 2020 decreased 3,871,147 DTH, or 10.7% from 2019 due primarily to warmer winter weather, as evidenced by the 9.0% decrease in the number of heating degree days. There was an increase in firm gas customers in 2020 of 2,714 or 1.2%; the number of interruptible customers increased by 2, from 27 to 29.

METROPOLITAN UTILITIES DISTRICT

Management's Discussion and Analysis

December 31, 2021 and 2020

Gas Department Summary of Results of Operations

	2021		2020		2019	
Operating revenues:						
Firm and interruptible gas sales	$ 229,577,728	93%	$ 173,398,480	91%	$ 205,780,148	92%
Infrastructure charge	13,401,667	5	13,152,817	7	13,112,638	6
Other	4,979,255	2	4,120,388	2	4,987,913	2
Less bad debt expense	(377,858)	—	(721,884)	—	(614,407)	—
Total operating revenues, net	247,580,792	100%	189,949,801	100%	223,266,292	100%
Operating expenses:						
Cost of natural gas	140,342,276	70%	87,036,070	59%	114,501,720	62%
Other operating expenses	59,601,135	30	61,064,035	41	69,889,570	38
Total operating expenses	199,943,411	100%	148,100,105	100%	184,391,290	100%
Nonoperating revenues (expenses), net	(1,028,325)		(1,061,847)		958,281	
Change in net position	46,609,056		40,787,849		39,833,283	
Net position, beginning of year	443,723,999		402,936,150		363,102,867	
Net position, end of year	$ 490,333,055		$ 443,723,999		$ 402,936,150	

Revenues for gas sales, net, were up 30.3% in 2021 vs. 2020, due to increased gas costs, which is a direct "pass-through" to our customers, partially offset by a 2.0% decrease in volumes. Revenues for gas sales, net, were down 14.9% in 2020 vs. 2019, due to a 10.7% decrease in volumes coupled with decreased gas costs. The annual revenues for the average residential gas customer were $612.41 in 2021, as compared to $540.26 in 2020 and to $627.55 in 2019.

The District initiated an Infrastructure Replacement Charge effective January 2, 2008. This charge is included in the annual revenue for the average residential customer stated above for all years presented.

Total operating expenses in 2021 were up by $51.8 million or 35.0% from 2020. In 2021, the cost of natural gas was $53.3 million, or 61.2% higher than 2020, due to increased gas cost ($55.1 million) partially offset by decreased volumes ($1.8 million). In 2021, other operating expenses were $1.5 million, or 2.4%, lower than 2020 due primarily to: decreased administrative and general expense (largely due to decreased pension and Other Post Employment Benefit (OPEB) expense), partially offset by increased production operating expense (increased LNG liquefaction expense and one-time costs for town border station improvements to serve the requirements of a large customer), increased statutory payments paid to cities due to higher gas sales, and increased depreciation and amortization expense. Total operating expenses in 2020 were down by $36.3 million or 19.7% from 2019. In 2020, the cost of natural gas was $27.5 million, or 24.0% lower than 2019, due to decreased gas cost ($15.2 million) coupled with decreased volumes ($12.3 million). In 2020, other operating expenses were $8.8 million, or 12.6%, lower than 2019 due primarily to: decreased administrative and general expense (largely due to decreased OPEB expense), decreased production operating expense (LNG liquefaction performed once in 2020 vs. twice in 2019) and lower statutory payments paid to cities due to lower gas sales, partially offset by increased depreciation and amortization expense.

Net non-operating expenses were $1.0 million in 2021 compared to net non-operating expenses of $1.1 million in 2020, a change of $0.1 million. This change was due primarily to a net loss on the retirement of assets in 2020, partially offset by decreased investment earnings on Gas Department cash balances due to reduced investable balances and lower yields. Net non-operating expenses were $1.1 million in 2020 compared to net non-operating revenues of $1.0 million in 2019, a change of $2.1 million. This change was due primarily to decreased investment earnings on Gas Department cash balances due to lower yields.

The District contracts with Central Plains Energy Project (CPEP) for a significant portion of its gas purchases. CPEP is a public body created under Nebraska Interlocal Law for the purpose of securing long-term, economical, and reliable gas supplies. CPEP currently has three members: the District, Cedar Falls Utilities, and Hastings Utilities. CPEP has acquired gas through long-term prepaid gas purchase agreements and delivers gas to its members or customers through long-term gas supply contracts for specified volumes of gas at market-based pricing less a contractual discount. Under the current agreements, the District anticipates taking approximately 90% of the gas acquired in these transactions under three 30-year gas purchase agreements, one entered into in 2009 (CPEP #2), one in 2012 (CPEP #3) and one in 2018 (CPEP #4). In 2021, the CPEP prepaid gas purchase agreements accounted for approximately 47% of the District's annual natural gas requirements.

Terms of the 2007 gas supply agreement (CPEP #1) were renegotiated in 2009 and again in 2012; the gas flows under this agreement ended on October 31, 2020.

Subsequent to litigation, the 2009 long-term prepaid gas purchase contract (CPEP #2) was renegotiated in 2014. The renegotiated contract provided for the following: 1) $12.5 million up-front proceeds at closing, which was recorded as unearned gas purchase discounts by the District and recognized as a reduction of the cost of natural gas based on the pattern of gas purchases through October 2019; 2) locked-in discounts of $.16 per DTH for the period November 1, 2014 through October 31, 2019, and 3) the ability to renegotiate discounts for the November 1, 2019 through June 30, 2039. In 2019, this project was refinanced as required in the 2014 documents; the gas flows under this agreement will now expire in 2049.

In 2012 the District participated in CPEP Project 3 Series Transaction (CPEP #3). This agreement is for a 30-year fixed term with defined savings over the life of the project. In 2017 CPEP did an early refinancing of this transaction that will increase the District's savings beginning in 2022.

In November 2018, the District entered into a 30-year gas supply contract with CPEP (CPEP #4) with gas flows commencing on August 1, 2019. This agreement expires on January 31, 2050. After the initial five-year term, CPEP, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

In addition to the aforementioned activity with CPEP, the District is party to three other significant gas supply agreements, which accounted for approximately 11% of the District's annual natural gas requirements in 2021. Including CPEP, prepaid transactions accounted for approximately 58% of the District's annual gas supply in 2021.

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In 2017, the District entered into a 30-year gas supply contract with the Tennessee Energy Acquisition Corporation (TEAC) for three to four percent of our annual gas requirements. After the initial five-year term, TEAC, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on future interest rate levels at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

In February 2018, the District entered into a 30-year gas supply contract with the Public Energy Authority of Kentucky (PEAK) for approximately five percent of our annual gas requirements. After the initial five-year term, PEAK, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

In March 2018, the District entered into a 30-year gas supply contract with the Black Belt Energy Gas District (Black Belt) for approximately three percent of our annual gas requirements. After the initial five-year term, Black Belt, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

Winter Storm Uri

In February 2021, North America experienced a polar vortex referred to as Winter Storm Uri. During this winter weather event, the District's customers used approximately 50% more natural gas on average, and the District sent out a record amount of gas on February 15, 2021.

Due to the efforts of our dedicated employees as well as our natural gas supply strategies, MUD was able to meet this increased demand in a very economical manner. District-owned storage assets (liquefied natural gas plant and two Propane caverns) delivered nearly 40% of natural gas demand to our customers over the six-day period with the most extreme temperatures. In addition to our demonstrated service reliability in meeting the increased demand, our storage/peak-shaving facilities provided significant cost avoidance of approximately $100 million for our customers, as we did not need to purchase natural gas on the spot market during times of record prices.

Incremental gas costs related to this event amounted to approximately $13 million. The polar vortex cost our average residential customer approximately $26 in incremental cost - $17 in increased natural gas usage during the month of February and $9 in increase natural gas cost, which was recovered over the April through December period. If natural gas had instead been purchased on the spot market, we estimate that our customers would have incurred substantially higher costs than the aforementioned $26 – approximately $200 more per our estimates (as experienced by customers in our area who are served by other natural gas distribution companies).

Gas Department Summary Financial Position

	2021	2020	2019
Plant in service, net	$ 498,742,968	$ 474,652,039	$ 452,932,182
Noncurrent assets	27,596,154	4,831,484	1,204,765
Current assets	211,979,278	211,559,774	196,831,726
Total assets	738,318,400	691,043,297	650,968,673
Deferred outflows of resources			
Pension amounts	5,321,344	4,024,242	5,256,517
Total deferred outflows of resources	5,321,344	4,024,242	5,256,517
Total assets and deferred outflows of resources	$ 743,639,744	$ 695,067,539	$ 656,225,190
Deferred inflows of resources			
Pension amounts	$ 40,075,330	$ 30,475,574	$ 14,861,988
OPEB amounts	29,566,524	26,180,264	30,771,073
Contributions in aid of construction	41,448,229	41,726,625	41,101,682
Total deferred inflows of resources	111,090,083	98,382,463	86,734,743
Current liabilities	76,080,364	72,138,610	58,068,102
Noncurrent liabilities	66,136,241	80,822,467	108,486,195
Total liabilities	142,216,605	152,961,077	166,554,297
Net position			
Net investment in capital assets	424,731,940	399,106,408	378,171,010
Restricted	200,509	200,939	199,689
Unrestricted	65,400,607	44,416,652	24,565,451
Total net position	490,333,056	443,723,999	402,936,150
Total liabilities, deferred inflows of resources, and net position	$ 743,639,744	$ 695,067,539	$ 656,225,190

Gas Department Long-Term Debt Activity

The following table summarizes the long-term debt of the Gas Department at December 31, 2021 and 2020.

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Gas Revenue Bonds				
Series 2018	$ 29,470,000	$ -	$ 1,150,000	$ 28,320,000
Plus unamortized premium	1,087,949	-	109,237	978,712
Total Long-Term Debt	$ 30,557,949	$ -	$ 1,259,237	$ 29,298,712

On June 28, 2018 the District issued $31,605,000 of Gas Department Revenue Bonds Series 2018; the True Interest Cost associated with the offering is 3.243 percent. The proceeds of the sale of the 2018 bonds were used, together with other available funds, to finance a portion of the costs of improvements to the District's Gas System, including replacement of cast iron gas mains throughout the District's service area and infrastructure improvements to the Gas System. During 2021 and 2020, respectively, the District made principal payments of $1,150,000 and $1,095,000 towards its outstanding Series 2018 gas revenue bonds.

Gas Department Long-Term Debt Covenant Compliance

Gas Revenue Bonds Series 2018

The District was in compliance with the provisions of the Gas Revenue Series 2018 bond covenants at December 31, 2021, 2020 and 2019. Relative to this bond offering, the District covenants that it will fix, establish, and maintain rates or charges for natural gas, services, or facilities supplied or furnished by the District that will provide an amount sufficient to pay current expenses and to generate net revenue at least equal to the sum of: (a) 120% of the amount equal to the average principal and interest requirements on the bonds, including any parity revenue bonds, then outstanding; and (b) 100% of the amount required to pay any other unpaid long term obligations (excluding current expenses) and any other unpaid indebtedness of the District (including any amounts required to be accumulated and maintained as reserves therefore) that are payable from system revenues, as the same shall become due.

Funds available for debt service exceeded amounts required by covenants by approximately $57.1 million, $44.9 million and $52.1 million for 2021, 2020 and 2019, respectively. Please see the chart below for debt service coverage ratio information:

	2021	2020	2019
Debt service coverage ratios	26.60x	21.18x	24.37x
Debt service coverage requirements	1.20x	1.20x	1.20x

Gas Revenue Bonds Series 2022

On March 16, 2022, the District issued $115,040,000 of Gas Department Revenue Bonds, Series 2022 (the 2022 Gas Bonds); the True Interest Cost associated with the offering is 2.366 percent. The 2022 Gas Bonds were issued for the purpose of financing a portion of the continued replacement of the cast iron gas mains throughout the District's gas system, expansion, and improvements to the District's liquified natural gas plant and related infrastructure improvements. The 2022 Gas Bonds are payable solely from gas revenues and are payable through 2042.

Credit Ratings and Liquidity

In February 2022, Fitch Ratings rated the Series 2022 Gas Revenue Bonds AA+ and affirmed the District's AA+ Issuer Default Rating, citing the District's "very strong financial profile as evidenced by its strong operating cash flows…" In February 2022, Moody's Investors Service assigned an Aa2 rating to the Series 2022 Gas Revenue Bonds and affirmed the Aa2 rating of the District's gas enterprise system, citing a "stable service area and solid financial performance." In November 2019, S&P Global Ratings assigned a rating of AA+ to District's gas system as part of the District's obligations under certain of its gas purchase contracts; the District was previously rated AA by the rating agency. At the time of the upgrade to the AA+ rating level, the District's gas system was the highest rated municipal gas system of those to which S&P assigns credit ratings.

The District continues to focus on maintaining strong liquidity for the Gas Department through adherence to disciplined financial and operational management practices. These efforts have resulted in consistently strong liquidity as demonstrated by "days cash on hand" of 232 days at year end 2021, as compared with 388 days at year-end 2020 and 300 days at year end 2019. The decrease in days cash on hand at year end 2021 is primarily due to the higher cost of natural gas coupled with increased capital expenditures, a portion of which will be reimbursed from bond proceeds.

The Gas Department's liquidity is further enhanced by a $20,000,000 unsecured line of credit that may be drawn upon by both the Gas and Water Departments. The current Loan Agreement matures July 1, 2024. The interest rate on the line of credit is variable and is calculated based on the "U.S. Prime Rate" less 2.630 percentage points, with a minimum rate of 1.950%. As of December 31, 2021, the interest rate was 1.950% and no amount was outstanding. The District did not draw on the line of credit during 2021, 2020 or 2019.

Gas Department Capital Asset Activity

The District remains committed to expending the funds necessary to allow for continued safe and reliable delivery of natural gas to the District's customers. A key component of this commitment is addressing the District's aging infrastructure, as evidenced by the District's ongoing efforts to replace all remaining cast iron gas mains, approximately 153 miles, over the next six years; the District expended $16.7 million to improve infrastructure and replace cast iron gas mains in 2021, $18.0 million in 2020 and $19.0 million in 2019. Significant projects in 2021 and 2020 are as follows:

In 2021, capital and construction-related costs totaled $49.0 million, consisting of:

1) Cast iron infrastructure replacement: $16.7 million (discussed above);
2) Other gas mains and distribution: $11.8 million;
3) Liquified natural gas plant improvements: $7.7 million;
4) Land purchase for future construction center: $2.0 million;
5) Other buildings, land and equipment: $4.0 million;
6) Information technology-related: $1.2 million;
7) Vehicles, equipment and all other general plant: $5.6 million.

In 2020, capital and construction-related costs totaled $46.2 million, consisting of:

1) Cast iron infrastructure replacement: $18.0 million (discussed above);
2) Other gas mains and distribution: $13.2 million;
3) Facility costs associated with new headquarters: $10.2 million;
4) Other buildings, land and equipment: $1.1 million;
5) Information technology-related: $1.5 million;
6) Vehicles, equipment and all other general plant: $2.2 million.

Water Department

	2021	**2020**	**2019**
Water sales (million gallons)	30,811.6	31,021.1	27,747.0

In 2021, the volume of water sales decreased 209.5 million gallons vs. prior year, or 0.7%, due in part to full year precipitation levels that were approximately 1 inch, or 4.2%, above normal annual precipitation levels of 31.9 inches (2021 precipitation was 33.2 inches for the year), coupled with the fact that full year precipitation totals for 2020 were 13 inches below normal (17.7 inches for the year). In 2020, the volume of water sales increased 3,274.1 million gallons vs. prior year, or 11.8%, due in part to full year precipitation levels that were nearly 13 inches, or 42%, below normal. Varying precipitation levels have the greatest impact on commercial and residential sprinkling volumes.

	2021	**2020**	**2019**
Customers (December 31)	222,715	220,625	218,116

The number of customers at the end of 2021 increased 2,090, or 0.9%, over 2020. The number of customers at the end of 2020 increased 2,509, or 1.2%, over 2019.

Water Department Summary of Results of Operations

	2021		2020		2019	
Operating revenues:						
Water sales	$ 123,193,825	86%	$ 121,283,075	87%	$ 102,555,331	85%
Infrastructure charge	15,155,428	11	14,847,245	11	14,798,599	12
Other	4,388,966	3	4,276,869	2	4,154,150	3
Less bad debt expense	(251,022)	—	(457,656)	—	(247,118)	—
Total operating revenues, net	142,487,197	100%	139,949,533	100%	121,260,962	100%
Operating expenses	88,868,925		87,663,411		92,350,493	
Nonoperating expenses net	6,937,106		7,209,940		5,913,435	
Change in net position	46,681,166		45,076,182		22,997,034	
Net position, beginning of year	381,092,838		336,016,656		313,019,622	
Net position, end of year	$ 427,774,004		$ 381,092,838		$ 336,016,656	

Operating revenues, net, increased 1.8% in 2021 as compared with 2020 due to a 4.35% increase to the Commodity Component of rates effective May 2, 2021 partially offset by decreased usage associated with precipitation levels that were 1 inch above normal in 2021 and 16 inches higher than 2020 levels. Operating revenues, net, increased 15.4% in 2020 due partially to a 12.0% increase to the Commodity component of rates effective January 2, 2020 as well as the full year impact of a 7.0% increase to the Commodity component of rates effective July 1, 2019. The purpose of these rate increases was to partially fund the District's water infrastructure replacement program. The 2020 increase in operating revenues, net, was also impacted by increased usage associated with precipitation levels that were 13 inches below normal in 2020 and 22 inches lower than 2019 levels. The annual revenues for the average residential water customer were $402.23 in 2021, compared to $404.61 in 2020 and $345.27 in 2019.

Total operating expenses in 2021 were up by $1.2 million as compared with 2020, or 1.4%, due primarily to increased distribution operating expense (due to an increase in meter changes and customer service calls not performed in the prior year due to the pandemic), increased distribution maintenance expense (due to an increase in the number of water main breaks), and increased water service reconnections and service replacements (due to an increase in miles of water main replaced). These increases were partially offset by lower administrative and general expense, which consists of decreased pension and OPEB expense and decreased costs associated with the District's COVID-19 response, partially offset by a decrease in amounts charged to capital projects. Total operating expenses in 2020 were down by $4.7 million as compared with 2019, or 5.1%, due primarily to decreased administrative and general expense, which consists of decreased pension and OPEB expense, decreased public liability claims related to water main breaks and an increase in amounts charged to capital projects, partially offset by incremental costs associated with the District's COVID-19 response. The decreased administrative and general expense was partially offset by increased water service reconnections and service replacements (due to an increase in miles of water main replaced).

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Net non-operating expenses in 2021 decreased by $0.3 million as compared with 2020, or 3.8%, due primarily to decreased interest expense. Net non-operating expenses in 2020 increased by $1.3 million as compared with 2019, or 21.9%, due primarily to decreased interest income on investable cash balances due to lower yields and lower investable cash balances, partially offset by decreased interest expense.

Water Summary Financial Position

	2021	2020	2019
Plant in service, net	$ 985,875,653	$ 957,665,097	$ 910,548,673
Current assets	142,588,624	130,227,809	118,354,147
Noncurrent assets	28,667,559	15,687,459	25,545,917
Total assets	1,157,131,836	1,103,580,365	1,054,448,737
Deferred outflows of resources			
Pension amounts	4,429,351	3,305,015	4,318,048
Debt refunding	2,357,745	2,791,011	3,257,838
Total deferred outflows of resources	6,787,096	6,096,026	7,575,886
Total assets and deferred outflows of resources	$ 1,163,918,932	$ 1,109,676,391	$ 1,062,024,623
Deferred inflows of resources			
Pension amounts	$ 33,533,928	$ 25,329,337	$ 12,368,626
OPEB amounts	24,341,982	21,254,844	24,938,524
Contributions in aid of construction	354,971,325	329,881,295	312,463,282
Total deferred inflows of resources	412,847,235	376,465,476	349,770,432
Current liabilities	91,067,172	93,408,503	81,241,559
Noncurrent liabilities	232,230,521	258,709,574	294,995,976
Total liabilities	323,297,693	352,118,077	376,237,535
Net position:			
Net investment in capital assets	421,851,155	412,383,861	382,918,990
Restricted	2,073,228	2,063,690	2,036,531
Unrestricted	3,849,621	(33,354,713)	(48,938,865)
Total net position	427,774,004	381,092,838	336,016,656
Total liabilities, deferred inflows of resources, and net position	$ 1,163,918,932	$ 1,109,676,391	$ 1,062,024,623

Water Department Long-Term Debt Activity

The following table summarizes the long-term debt of the Water Department at December 31, 2021 and 2020:

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Water Revenue Bonds				
Series 2018	$ 34,820,000	$ -	$ 1,355,000	$ 33,465,000
Plus unamortized premium	1,008,236	-	103,173	905,063
Water Revenue Bonds				
Series 2015	149,050,000	-	9,200,000	139,850,000
Plus unamortized premium	7,250,586	-	1,087,279	6,163,307
Water Revenue Bonds				
Series 2012	28,035,000	-	1,925,000	26,110,000
Plus unamortized premium	1,549,543	-	129,513	1,420,030
NDEQ Note Payable #2	3,328,341	-	287,926	3,040,415
Total Long Term Debt	$ 225,041,706	$ -	$ 14,087,891	$ 210,953,815

On September 27, 2018 the District issued $37,390,000 of Water Revenue Bonds Series 2018; the True Interest Cost associated with the offering is 3.174 percent. The proceeds of the sale of the 2018 bonds are being used, together with other available funds, to finance a portion of the costs of improvements to the District's Water System, including multiple projects undertaken to upgrade the Florence Water Treatment Plant and other improvements to the District's Water System. During 2021 and 2020, respectively, the District made principal payments of $1,355,000 and $1,315,000 towards its outstanding Series 2018 water revenue bonds. At December 31, 2021, $2.6 million of the bond proceeds remained.

At December 31, 2021 and 2020, the District's long-term debt included $139,850,000 and $149,050,000 respectively of Series 2015 bonds outstanding. During 2021 and 2020, respectively, the District made principal payments of $9,200,000 and $8,750,000 towards its outstanding Series 2015 water revenue bonds.

At December 31, 2021 and 2020, the District's long-term debt included $26,110,000 and $28,035,000, respectively, of Series 2012 bonds outstanding. During 2021 and 2020, respectively, the District made principal payments of $1,925,000 and $1,860,000 towards its outstanding Series 2012 water revenue bonds.

In 2009, the District entered into an American Recovery and Reinvestment Act loan agreement with the NDEQ for the construction of a contact basin located near its Platte South Water Treatment Plant; the loan is at a 2% interest rate per annum (NDEQ Note Payable #2). This loan provided for $1,089,775 in loan forgiveness in the form of a grant, at project completion. At December 31, 2021 and 2020, long term obligations for this note were $3,040,415 and $3,328,341 respectively. During 2021 and 2020, the District made principal payments of $287,926 and $282,255 respectively pursuant to this note payable.

Water Department Long-Term Debt Covenant Compliance

Water Revenue Bonds Series 2012, Water Revenue Bond Series 2015 and Water Revenue Bond Series 2018

The District was in compliance with the provisions of the Water Revenue Series 2012, Water Revenue Series 2015 and Water Revenue Series 2018 bond covenants at December 31, 2021, 2020 and 2019. Relative to these bond offerings, the District covenants that it will fix, establish, and maintain rates or charges for water, services, or facilities supplied or furnished by the District that will provide an amount sufficient to pay current expenses and to generate net revenue at least equal to the sum of: (a) 120% of the amount equal to the average principal and interest requirements on the bonds, including any parity revenue bonds, then outstanding; and (b) 100% of the amount required to pay any other unpaid long term obligations (excluding current expenses) and any other unpaid indebtedness of the District (including any amounts required to be accumulated and maintained as reserves therefore) that are payable from system revenues, as the same shall become due.

Funds available for debt service exceeded amounts required by covenants by approximately $32.1 million, $36.1 million and $21.9 million for 2021, 2020 and 2019, respectively. Please see the chart below for debt service coverage ratio information:

	2021	2020	2019
Debt service coverage ratios	3.35x	3.57x	2.62x
Debt service coverage requirements	1.20x	1.20x	1.20x

Credit Ratings and Liquidity

In August 2021, Moody's Investors Service affirmed the District's Aa2 rating, citing the District's "stable service base and solid financial performance." In July 2021, S&P Global Ratings raised its ratings on the District's water revenue bonds to AA from AA-, citing the District's "consistently robust financial performance."

The District continues to focus on maintaining strong liquidity for the Water Department through adherence to disciplined financial and operational management practices. These efforts have resulted in a significant improvement in liquidity as demonstrated by the number of "days cash on hand", with 389 days at year-end 2021 as compared with 354 days at year-end 2020 and 356 days at year-end 2019.

The Water Department's liquidity is further enhanced by a $20,000,000 unsecured line of credit that may be drawn upon by both the Gas and Water Departments. The current Loan Agreement matures July 1, 2024. The interest rate on the line of credit is variable and is calculated based on the "U.S. Prime Rate" less 2.630 percentage points, with a minimum rate of 1.950%. As of December 31, 2021, the interest rate was 1.950% and no amount was outstanding. The District did not draw on the line of credit during 2021, 2020 or 2019.

Water Department Capital Asset Activity

Significant projects in 2021 and 2020 are as follows:

- In 2021, capital and construction-related costs totaled $53.2 million; significant expenditures for projects completed or in process included:

  1) Infrastructure replacement (i.e. Cast Iron main abandonment/replacement): $17.0 million;
  2) Other water mains and distribution: $24.2 million;
  3) Florence water treatment plant – Basin 3 refurbishment: $3.8 million;
  4) Platte South water treatment plant – Land purchase: $1.6 million;
  5) Other buildings, land and equipment: $3.9 million;
  6) Construction machines and all other general plant: $2.7 million.

- In 2020, capital and construction-related costs totaled $70.4 million; significant expenditures for projects completed or in process included:

  1) Infrastructure replacement (i.e. Cast Iron main abandonment/replacement): $17.0 million;
  2) Other water mains and distribution: $34.4 million;
  3) Florence water treatment plant – Low service pump architectural, mechanical, structural and electrical improvements: $7.8 million;
  4) Florence water treatment plant – Basin 2 refurbishment: $3.5 million;
  5) Variable-frequency drives (VFD) at various pump stations: $1.5 million;
  6) 36^{th} & Edna pump station electrical upgrades: $1.1 million;
  7) Platte South water treatment plan – Replace valves and operators: $1.0 million;
  8) Construction machines: $1.6 million.

Contact Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President of the District at 7350 World Communications Drive, Omaha, Nebraska 68122-4041.

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Statements of Net Position

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Assets and Deferred Outflows of Resources	2021 Gas Department	2021 Water Department	2021 Eliminations	2021 Business-type Activities Total	2020 Gas Department	2020 Water Department	2020 Eliminations	2020 Business-type Activities Total
Capital assets:								
Utility plant in service	$ 694,206,264	1,285,258,123	—	1,979,464,387	$ 667,921,516	1,202,896,350	—	1,870,817,866
Less accumulated depreciation	228,414,449	352,383,846	—	580,798,295	213,345,163	331,275,524	—	544,620,687
	465,791,815	932,874,277	—	1,398,666,092	454,576,353	871,620,826	—	1,326,197,179
Construction in progress	32,951,153	53,001,376	—	85,952,529	20,075,686	86,044,271	—	106,119,957
Net capital assets	498,742,968	985,875,653	—	1,484,618,621	474,652,039	957,665,097	—	1,432,317,136
Noncurrent assets:								
Cash and cash equivalents – restricted	—	3,938,622	—	3,938,622	—	9,531,901	—	9,531,901
Investments - restricted	—	1,840,460	—	1,840,460	—	2,609,557	—	2,609,557
Net pension asset	25,096,236	21,293,150	—	46,389,386	2,961,072	2,588,529	—	5,549,601
Other noncurrent assets	2,499,918	1,595,327	—	4,095,245	1,870,412	957,472	—	2,827,884
Total noncurrent assets	27,596,154	28,667,559	—	56,263,713	4,831,484	15,687,459	—	20,518,943
Current assets:								
Cash and cash equivalents	127,338,550	98,798,888	—	226,137,438	151,236,837	83,334,251	—	234,571,088
Cash and cash equivalents – restricted	200,509	1,900,295	—	2,100,804	200,939	1,891,034	—	2,091,973
Accounts receivable – customers and others, less allowance for doubtful accounts	55,583,141	31,373,341	—	86,956,482	40,098,307	36,108,956	—	76,207,263
Interdepartmental receivable	—	3,932,873	(3,932,873)	—	—	3,295,261	(3,295,261)	—
Natural gas in storage	12,901,175	—	—	12,901,175	7,765,780	—	—	7,765,780
Propane in storage	5,644,689	—	—	5,644,689	3,563,138	—	—	3,563,138
Materials and supplies	4,070,635	4,386,783	—	8,457,418	3,989,605	4,075,948	—	8,065,553
Construction materials	3,916,834	1,883,386	—	5,800,220	3,650,436	1,343,500	—	4,993,936
Prepayments	2,323,745	313,058	—	2,636,803	1,054,732	178,859	—	1,233,591
Total current assets	211,979,278	142,588,624	(3,932,873)	350,635,029	211,559,774	130,227,809	(3,295,261)	338,492,322
Total assets	738,318,400	1,157,131,836	(3,932,873)	1,891,517,363	691,043,297	1,103,580,365	(3,295,261)	1,791,328,401
Deferred Outflows of Resources								
Pension amounts	5,321,344	4,429,351	—	9,750,695	4,024,242	3,305,015	—	7,329,257
Deferred charge on refunding	—	2,357,745	—	2,357,745	—	2,791,011	—	2,791,011
Total deferred outflows of resources	5,321,344	6,787,096	—	12,108,440	4,024,242	6,096,026	—	10,120,268
Total assets and deferred outflows of resources	$ 743,639,744	1,163,918,932	(3,932,873)	1,903,625,803	$ 695,067,539	1,109,676,391	(3,295,261)	1,801,448,669

See accompanying notes to basic financial statements.

Liabilities, Deferred Inflows and Net Position	2021 Gas Department	2021 Water Department	2021 Eliminations	2021 Business-type Activities Total	2020 Gas Department	2020 Water Department	2020 Eliminations	2020 Business-type Activities Total
Net position:								
Net investment in capital assets	$ 424,731,940	421,851,155	—	846,583,095	$ 399,106,408	412,383,861	—	811,490,269
Restricted:								
Environmental	—	172,933	—	172,933	—	172,656	—	172,656
Debt service requirements-sinking func	200,509	1,900,295	—	2,100,804	200,939	1,891,034	—	2,091,973
Unrestricted	65,400,607	3,849,621	—	69,250,228	44,416,652	(33,354,713)	—	11,061,939
Total net position	490,333,056	427,774,004	—	918,107,060	443,723,999	381,092,838	—	824,816,837
Deferred inflows of resources								
Pension amounts	40,075,330	33,533,928	—	73,609,258	30,475,574	25,329,337	—	55,804,911
OPEB amounts	29,566,524	24,341,982	—	53,908,506	26,180,264	21,254,844	—	47,435,108
Contributions in aid of construction	41,448,229	354,971,325	—	396,419,554	41,726,625	329,881,295	—	371,607,920
Total deferred inflows of resources	111,090,083	412,847,235	—	523,937,318	98,382,463	376,465,476	—	474,847,939
Noncurrent liabilities:								
Long-term debt, excluding current installment:	28,093,712	197,600,100	—	225,693,812	29,407,949	212,273,779	—	241,681,728
Self-insured risks	597,236	644,521	—	1,241,757	98,096	379,470	—	477,566
Net OPEB liability	35,967,455	32,431,694	—	68,399,149	49,846,993	44,553,578	—	94,400,571
Other accrued expenses	1,477,838	1,554,206	—	3,032,044	1,469,429	1,502,747	—	2,972,176
Total noncurrent liabilities	66,136,241	232,230,521	—	298,366,762	80,822,467	258,709,574	—	339,532,041
Current liabilities:								
Accounts payable	42,543,693	9,353,268	—	51,896,961	29,119,518	8,819,681	—	37,939,199
Customer deposits	18,973,911	8,212,281	—	27,186,192	25,526,198	7,808,495	—	33,334,693
Customer advances for construction	1,429,798	26,994,301	—	28,424,099	1,200,974	29,025,868	—	30,226,842
Interdepartmental payable	3,932,873	—	(3,932,873)	—	3,295,261	—	(3,295,261)	—
Sewer fee collection due to municipalities	—	25,796,003	—	25,796,003	—	28,117,453	—	28,117,453
Statutory payment due to municipalities	1,448,944	655,048	—	2,103,992	1,003,654	645,777	—	1,649,431
Other accrued expenses	3,041,543	3,198,721	—	6,240,264	3,210,280	3,283,072	—	6,493,352
Current installments of long-term deb	1,205,000	13,353,715	—	14,558,715	1,150,000	12,767,927	—	13,917,927
Accrued interest	86,765	613,589	—	700,354	91,557	662,380	—	753,937
Self-insured risks	2,965,030	2,890,246	—	5,855,276	2,323,245	2,277,850	—	4,601,095
Other liabilities	452,807	—	—	452,807	5,217,923	—	—	5,217,923
Total current liabilities	76,080,364	91,067,172	(3,932,873)	163,214,663	72,138,610	93,408,503	(3,295,261)	162,251,852
Total liabilities	142,216,605	323,297,693	(3,932,873)	461,581,425	152,961,077	352,118,077	(3,295,261)	501,783,893
Total liabilities, deferred inflows of resources, and net position	$ 743,639,744	1,163,918,932	(3,932,873)	1,903,625,803	$ 695,067,539	1,109,676,391	(3,295,261)	1,801,448,669

See accompanying notes to basic financial statements

METROPOLITAN UTILITIES DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

December 31, 2021 and 2020

	2021			2020		
	Gas Department	**Water Department**	**Business-type Activities Total**	**Gas Department**	**Water Department**	**Business-type Activities Total**
Operating revenues:						
Charges for services	$ 247,958,650	142,738,219	390,696,869	$ 190,671,685	140,407,189	331,078,874
Less bad debt expense	377,858	251,022	628,880	721,884	457,656	1,179,540
Charges for services, net	247,580,792	142,487,197	390,067,989	189,949,801	139,949,533	329,899,334
Operating expenses:						
Cost of natural gas	140,342,276	—	140,342,276	87,036,070	—	87,036,070
Operating and maintenance	37,565,758	71,429,648	108,995,406	40,685,392	70,698,570	111,383,962
Depreciation and amortization	18,240,248	15,456,120	33,696,368	17,458,144	15,023,958	32,482,102
Payment in lieu of taxes	3,795,129	1,983,157	5,778,286	2,920,499	1,940,883	4,861,382
Total operating expenses	199,943,411	88,868,925	288,812,336	148,100,105	87,663,411	235,763,516
Operating income	47,637,381	53,618,272	101,255,653	41,849,696	52,286,122	94,135,818
Nonoperating revenues (expenses):						
Investment income, net	15,390	524,961	540,351	502,184	559,802	1,061,986
Other expense	(18,760)	(351,289)	(370,049)	(469,821)	(161,823)	(631,644)
Interest expense	(1,024,954)	(7,110,778)	(8,135,732)	(1,094,210)	(7,607,919)	(8,702,129)
Total nonoperating revenues (expenses), net	(1,028,324)	(6,937,106)	(7,965,430)	(1,061,847)	(7,209,940)	(8,271,787)
Change in net position	46,609,057	46,681,166	93,290,223	40,787,849	45,076,182	85,864,031
Net position, beginning of year	443,723,999	381,092,838	824,816,837	402,936,150	336,016,656	738,952,806
Net position, end of year	$ 490,333,056	427,774,004	918,107,060	$ 443,723,999	381,092,838	824,816,837

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statements of Cash Flows

December 31, 2021 and 2020

	2021			2020		
	Gas Department	**Water Department**	**Business-type Activities Total**	**Gas Department**	**Water Department**	**Business-type Activities Total**
Cash flows from operating activities:						
Receipts from customers	$ 227,674,960	147,473,835	375,148,795	$ 187,000,418	134,662,661	321,663,079
Payments to suppliers	(157,836,146)	(67,260,848)	(225,096,994)	(93,515,110)	(52,467,801)	(145,982,911)
Cash collections on behalf of other governments	—	201,218,849	201,218,849	—	181,196,452	181,196,452
Cash disbursements to other governments	—	(193,173,217)	(193,173,217)	—	(172,657,449)	(172,657,449)
Payments to employees	(40,178,549)	(34,195,460)	(74,374,009)	(39,254,995)	(32,741,260)	(71,996,255)
Payments in lieu of taxes	(3,795,129)	(1,983,157)	(5,778,286)	(2,920,499)	(1,940,883)	(4,861,382)
Net cash provided by operating activities	25,865,136	52,080,002	77,945,138	51,309,814	56,051,720	107,361,534
Cash flows from noncapital financing activities:						
Interdepartmental loans and advances	683,236	(683,236)	—	4,681,044	(4,681,044)	—
Net cash provided by (used in) noncapital financing activities	683,236	(683,236)	—	4,681,044	(4,681,044)	—
Cash flows from capital and related financing activities:						
Plant additions	(47,731,492)	(53,155,062)	(100,886,554)	(44,482,815)	(70,614,438)	(115,097,253)
Plant removal/retirement costs	(1,325,953)	638,193	(687,760)	(578,093)	727,313	149,220
Payments on long-term debt	(1,150,000)	(12,767,927)	(13,917,927)	(1,340,235)	(12,207,254)	(13,547,489)
Customer advances/CIAC	883,949	30,520,859	31,404,808	1,958,403	28,592,093	30,550,496
Interest paid	(1,138,983)	(8,046,268)	(9,185,251)	(1,213,501)	(8,594,999)	(9,808,500)
Net cash used in capital and related financing activities	(50,462,479)	(42,810,205)	(93,272,684)	(45,656,241)	(62,097,285)	(107,753,526)
Cash flows from investing activities:						
Interest received	15,390	524,961	540,351	502,184	559,802	1,061,986
Sales of investment securities	—	769,097	769,097	—	7,520,008	7,520,008
Net cash flows provided by investing activities	15,390	1,294,058	1,309,448	502,184	8,079,810	8,581,994
Net increase (decrease) in cash and cash equivalents	(23,898,717)	9,880,619	(14,018,098)	10,836,801	(2,646,799)	8,190,002
Cash and cash equivalents, beginning of year	151,437,776	94,757,186	246,194,962	140,600,975	97,403,985	238,004,960
Cash and cash equivalents, end of year	$ 127,539,059	104,637,805	232,176,864	$ 151,437,776	94,757,186	246,194,962
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	$ 47,637,381	53,618,272	101,255,653	$ 41,849,696	52,286,122	94,135,818
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization						
Depreciation charged to depreciation and amortization	18,003,195	15,281,653	33,284,848	17,156,427	14,734,822	31,891,249
Depreciation charged to operating and maintenance	4,084,571	1,202,780	5,287,351	3,937,308	1,363,713	5,301,021
Amortization charged to depreciation and amortization	237,053	174,467	411,520	301,717	289,136	590,853
Amortization charged to operating and maintenance	1,380,424	284,673	1,665,097	1,658,570	295,273	1,953,843
Cash flows impacted by changes in						
Amounts due from customers and others	(15,484,834)	4,735,615	(10,749,219)	(5,359,423)	(5,744,529)	(11,103,952)
Natural gas, propane, materials, supplies, and prepayments	(8,566,989)	(445,034)	(9,012,023)	596,499	(585,668)	10,831
Other noncurrent assets	(629,506)	(637,855)	(1,267,361)	(665,647)	(284,832)	(950,479)
Accounts payable and other	13,686,486	(2,756,689)	10,929,797	(376,627)	4,178,161	3,801,534
Customer deposits	(6,532,667)	403,786	(6,128,881)	6,833,499	4,621,907	11,455,406
Self-insurance and other liabilities	(3,624,190)	877,446	(2,746,744)	2,777,541	(179,806)	2,597,735
Net pension liability (asset	(22,135,164)	(18,704,621)	(40,839,785)	(25,630,373)	(21,311,702)	(46,942,075)
Deferred inflows pension	9,599,756	8,204,591	17,804,347	10,066,179	8,475,148	18,541,327
Deferred outflows pension	(1,297,102)	(1,124,336)	(2,421,438)	6,779,682	5,498,596	12,278,278
Net OPEB liability	(13,879,538)	(12,121,884)	(26,001,422)	(4,024,425)	(3,900,941)	(7,925,366)
Deferred inflows OPEB	3,386,260	3,087,138	6,473,398	(4,923,071)	(3,952,253)	(8,875,324)
Deferred outflows OPEB	—	—	—	332,262	268,573	600,835
Net cash provided by operating activities	$ 25,865,136	52,080,002	77,945,138	$ 51,309,814	56,051,720	107,361,534
Supplemental schedules of noncash capital and related financing items:						
Construction in accounts payable	$ 3,264,088	6,063,253	9,327,341	$ 3,261,057	5,118,046	8,379,103

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT
Statements of Fiduciary Net Position
Pension and Other Post Employment Benefits
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 1,599,643	$ 1,610,995
Investments at fair value:		
Mutual funds:		
Fixed income funds	197,553,467	151,831,211
Domestic equity funds	305,727,834	271,395,474
International equity funds	151,953,494	149,110,653
Total investments	655,234,795	572,337,338
Total assets	$ 656,834,438	$ 573,948,333
Liabilities		
Accrued expense and benefits payable	-	-
Total liabilities	-	-
Net position held in trust for pension and other post employment benefits	$ 656,834,438	$ 573,948,333

See accompanying notes to basic financial statements

METROPOLITAN UTILITIES DISTRICT
Statements of Changes in Fiduciary Net Position
Pension and Other Post Employment Benefits
December 31, 2021 and 2020

	2021	2020
Additions:		
Investment income (loss), net appreciation (depreciation) in the fair value of pooled separate accounts, interest and dividends, net of investment expense	$ 79,568,319	$ 73,545,434
Employer contributions	24,850,226	23,946,933
Employee contributions	5,374,956	5,021,423
Total additions	109,793,501	102,513,790
Deductions:		
Benefit payments	26,794,426	21,897,160
Administrative expenses	112,970	98,373
Total deductions	26,907,396	21,995,533
Net increase	82,886,105	80,518,257
Net position held in trust for pension and OPEB benefits		
Beginning of year	573,948,333	493,430,076
End of year	$ 656,834,438	$ 573,948,333

See accompanying notes to basic financial statements

METROPOLITAN UTILITIES DISTRICT

Notes to Basic Financial Statements

December 31, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Metropolitan Utilities District (the District), a political subdivision of the State of Nebraska, is a public utility providing water and gas service to a diversified base of residential, commercial, and industrial customers. State statutes vest authority to establish rates in the board of directors (the Board) and provide, among other things, that separate books of account be kept for each utility department and for the equitable allocation of joint expenses. The Board determines the District's rates. The District is not liable for federal and state income taxes. The District pays ad valorem taxes on real property not used for public purposes. As required by the Enabling Act, the District pays 2% of its revenue from retail sales within the corporate limits of the City of Omaha to the City of Omaha, and 2% of its retail sales within other city and village corporate limits to those cities and villages. The District is subject to state sales and use tax on certain labor charges and nearly all material purchases.

(b) Basis of Presentation

The District's financial statements are presented in accordance with generally accepted accounting principles (GAAP) for business-type activities of governmental entities. Accounting records are maintained generally in accordance with the Uniform System of Accounts as prescribed by the National Association of Regulatory Utility Commissioners (NARUC) and all applicable pronouncements of the Governmental Accounting Standards Board (GASB). The District accounts for the operations of the water and gas systems in separate major funds.

Operating revenues and expenses generally result from providing gas and water services to the District's customers. The principal operating revenues are charges to customers for providing gas and water services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District's accounting policies also follow the regulated operations provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which permits an entity with cost based rates to defer certain costs as income, that would otherwise be recognized when incurred, to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rate changes to its customers.

(c) Fiduciary Fund Type

The District also includes a pension trust fund and other postemployment benefits (OPEB) trust fund as a fiduciary fund type. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs or operations. Pension and OPEB trust funds are accounted for in essentially the same manner as the enterprise funds, using the same measurement focus and basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plans are recognized when due. Benefits and refunds are recognized when due and payable in accordance with terms of the plans. The Pension Trust Fund accounts for the assets of the Retirement Plan for Employees of the Metropolitan Utilities District of Omaha. The OPEB Trust Fund accounts for the assets of the Postretirement Benefits for Employees of the Metropolitan Utilities District of Omaha. These plans are included in the reporting entity because the District controls the assets of each of these trust funds, as defined by GASB Statement No. 84, *Fiduciary Activities*.

(d) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that meet the criterion for reporting as deferred outflows on the statement of net position: the deferred charge on refunding and the changes of actuarial assumptions used in the measurement of total pension liability. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amount for changes of actuarial assumptions used in the measurement of total pension liability is recognized in pension expense over the average expected remaining service life of the active and inactive pension plan members at the beginning of the measurement period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue and/or contra expense) until that time. The District has six items that meet the criterion for reporting as deferred inflows on the statement of net position: contributions in aid of construction (CIAC), the difference between expected and actual experience in the measurement of total pension liability, the differences between projected and actual earnings on pension plan investments, the differences between projected and actual earnings on OPEB plan investments, the difference between expected and actual experience in the measurement of total OPEB liability and the changes in actuarial assumptions used in the measurement of total OPEB liability. As described below, CIAC is included in depreciation expense and amortized over the estimated useful lives of the related utility plant. The difference between expected and actual experience and the changes in actuarial assumptions in the measurement of the pension and OPEB liabilities is recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. The difference between projected and actual earnings on pension and OPEB plan investments is recognized in expense over a five-year period, as of the beginning of each measurement period.

(e) Utility Plant

Utility plant is stated at cost. Cost includes direct charges such as labor, material, and related overhead. Expenditures for ordinary maintenance and repairs are charged to operations.

Depreciation of utility plant is computed primarily on the straight-line method over its estimated useful life. The weighted average composite depreciation rates, expressed as a percentage of the beginning of the year cost of depreciable plant in service, were:

	2021	2020
Water Department	2.1%	2.1%
Gas Department	3.5	3.6

Contributions in aid of construction (CIAC) are reported as a deferred inflow of resources. For ratemaking purposes, the District does not recognize such revenues when received; rather CIAC is included in depreciation expense as such costs are amortized over the estimated lives of the related utility plant. The credit is being amortized into rates over the depreciable lives of the related plant in order to offset the earnings effect of these nonexchange transactions.

(f) Net Position

The net position of the District is broken down into three categories: (1) net investment in capital assets, (2) restricted for environmental funds and debt service requirements, and (3) unrestricted.

- Net investment in capital assets consist of capital assets, including restricted capital assets, net of accumulated depreciation, plus unspent bond proceeds and reduced by the outstanding balance of debt that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted for environmental funds represent net position whose use is restricted through external constraints imposed by the Nebraska Department of Environmental Quality and the Nebraska Game and Parks Commission. Restricted for debt service requirements represent net position whose use is restricted per the provisions of the Series 2012, Series 2015 and Series 2018 water revenue bonds, and the Series 2018 gas revenue bonds.
- Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted for environmental, debt reserve funds, debt service requirements, or capital.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted first, and then unrestricted resources when they are needed.

(g) Bond Premium and Discounts

Bond premium and discounts are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method.

(h) Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand accounts, overnight repurchase agreements, and short-term liquid investments purchased with an original maturity of 90 days or less. At December 31, 2021 and 2020, the Gas Department held current "Cash and cash equivalents – restricted" of $0.2 million pursuant to various bond resolutions.

At December 31, 2021, the Water Department held $5.8 million in noncurrent "Cash and cash equivalents – restricted" and "Investments – restricted" which is made up of $0.2 million in funds required by the Nebraska Game and Parks Commission for environmental mitigation of wetlands, $3.0 million pursuant to various bond resolutions, and $2.6 million of proceeds remaining from the Water System Revenue Bond Series 2018 issued in September 2018, which will be expended to upgrade the District's Florence Water Treatment Plant and for other improvements to the District's Water System. At December 31, 2020, the Water Department held $12.1 million in noncurrent "Cash and cash equivalents – restricted" and "Investments – restricted" which is made up of $0.2 million in funds required by the Nebraska Game and Parks Commission for environmental mitigation of wetlands, $3.0 million pursuant to various bond resolutions, and $8.9 million of proceeds remaining from the Water System Revenue Bond Series 2018 issued in September 2018, which will be expended to upgrade the District's Florence Water Treatment Plant and for other improvements to the District's Water System. At December 31, 2021 and 2020, the Water Department also held current "Cash and cash equivalents – restricted" of $1.9 million pursuant to various bond resolutions.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. Purchases and sales of securities are recorded on a trade-date basis. See Note 3 for additional information regarding fair value measures.

(i) Accounts Receivable and Unbilled Revenue

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the statements of cash flows. The accounts receivable balance also includes an accrual related to unbilled revenues, determined by prorating actual subsequent billings. The allowance for doubtful accounts is the District's best estimate of the amount of probable credit losses in the District's existing accounts receivable. The District's allowance methodology was developed based on an analysis of open accounts and historical write-off experience.

(j) Inventories

Inventories include natural gas, liquefied natural gas, propane, construction materials, and materials and supplies. All inventories are carried at weighted average cost.

(k) Compensated Absences

The District employees earn vacation days at specific rates during their employment. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation of no more than what they are eligible to earn in two years. Current and noncurrent amounts pertaining to accrued compensated absences are recorded within "Other accrued expenses" in the statement of net position.

(l) Revenues

The District recognizes operating revenues as they are earned. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period. Accounts receivable include unbilled revenues as follows:

		2021	2020
Gas	$	34,490,634	22,648,065
Water		3,539,297	3,730,023

(m) Interdepartmental Transactions

Most routine disbursement transactions of the District are paid by the Gas Department, due in part to the fact that the Gas Department collects virtually all billings for the District in combined Gas/Water invoices; balancing between the departments occurs via maintenance of interdepartmental receivable and payable accounts. At December 31, 2021, the Gas Department reflected a payable to the Water Department and the Water Department reflected a receivable from the Gas Department of $3,932,873. At December 31, 2020, the Gas Department reflected a payable to the Water Department and the Water Department reflected a receivable from the Gas Department of $3,295,261. The receivable and payable have been eliminated in the business-type activities total column.

(n) Billing and Collection Agent Services

The District serves as the billing and collection agent for fees related to sewer services provided by certain political subdivisions, including the City of Omaha. Separate accounting records are maintained by the District for these collection services. Fees billed but not yet remitted by the District to the applicable entities totaled $25,796,003 and $28,117,453 as of December 31, 2021 and 2020, respectively. These fees have been reflected in the District's statement of net position and amounts collected were remitted to the cities subsequent to year-end. Processing fees billed to the cities for billing and collection services provided by the District totaled approximately $5.2 million in 2021 and $5.3 million in 2020. These processing fees have been reflected as a reduction to operating and maintenance expenses in the District's statement of revenue, expenses, and changes in net position. The cities' fees reflect only the expenses incurred by the District to bill and collect the cities' charges.

(o) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan for Employees of the Metropolitan Utilities District of Omaha (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(p) Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Postretirement Benefits for Employees of the Metropolitan Utilities District of Omaha (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management of the District to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from these estimates.

(r) Recent Accounting Pronouncements

GASB Statement No. 87, *Leases*, issued in June 2017, was to be effective for the District beginning with its year ending December 31, 2020. As a result of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, Statement No. 87 will be effective for the District beginning with its year ending December 31, 2022. The objective of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing comparability of financial statements between governments; and also enhancing the relevance, reliability (representation faithfulness), and consistency of information about the leasing activities of governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently assessing the impact of this Statement.

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, issued in May 2020, will be effective for the District beginning with its year ending December 31, 2023. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District is currently assessing the impact of this Statement.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued June 2020, will be effective for the beginning with fiscal year December 31, 2022. The primary objective of Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The District is currently assessing the impact of this Statement.

(2) Impact of Adoption of New Accounting Standard

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, will be effective immediately for the District. The objective of Statement No. 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by delaying the effective dates of pronouncements not yet adopted by 12-18 months. As a result of Statement No. 95, GASB Statement No. 87, *Leases*, will be effective for the District beginning with its year ending December 31, 2022.

(3) Deposits and Investments

State Statute 14-2144 R.R.S. authorizes funds of the District to be invested at the discretion of the board of directors in the warrants and bonds of the District and the municipalities constituting the District, including the warrants and bonds of the sanitary improvement districts thereof. In addition to such securities, the funds may also be invested in any securities that are legal investments for the school funds of the State of Nebraska as delineated in the State of Nebraska Statute, Section 30-3209. The trust funds related to the District’s retirement plan and other postemployment benefit plan invest pursuant to the same statutory investment restrictions.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits might not be returned. At December 31, 2021 and 2020, all bank balances were covered by federal depository insurance or collateralized with securities held by the Federal Reserve Bank.

Fair Value Measurements: The District categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input: Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input: Inputs that are unobservable for the asset or liability which are typically based upon the District's own assumptions as there is little, if any, related market activity.

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

For the District, the following fair value techniques were utilized in measuring the fair value of its investments:

Bond and Equity Mutual Funds: These investments are reported at fair value based on published fair value per share (unit) for each fund.

As of December 31, 2021 and 2020, the District had the following investments and maturities:

Investment Type		Fair Value	Investment Maturities in Years: Less Than One	Investment Maturities in Years: 1-5	Hierarchy Level	Rating Standard & Poors
2021						
U.S. Treasury and agency obligations	$	1,319,025	—	1,319,025	1	AA+
Foreign bonds		521,435	—	521,435	1	A-
	$	1,840,460	—	1,840,460		
2020						
Corporate bonds and notes	$	1,037,020	—	1,037,020	1	A- to AAA
Commercial paper		1,572,537	1,572,537	—	1	A-1
	$	2,609,557	1,572,537	1,037,020		

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As of December 31, 2021 and 2020, the District's fiduciary funds had the following investments.

	Fair Value			Hierarchy
Investment Type	**Pension Plan**	**OPEB**	**Total**	**Level**
2021				
Mutual Funds:				
Fixed Income Funds	$ 178,067,965	19,485,502	197,553,467	1
Domestic Equity Funds	266,450,800	39,277,034	305,727,834	1
International Equity Funds	131,030,611	20,922,883	151,953,494	1
	$ 575,549,376	79,685,419	655,234,795	
2020				
Mutual Funds:				
Fixed Income Funds	$ 136,841,702	14,989,509	151,831,211	1
Domestic Equity Funds	242,432,356	28,963,118	271,395,474	1
International Equity Funds	132,753,722	16,356,931	149,110,653	1
	$ 512,027,780	60,309,558	572,337,338	

Credit risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a formal policy over credit risk for investments, other than pension and OPEB plan investments. Although the District does not have a formal policy, this risk is mitigated by adherence to the requirements of State Statute 30-3209, which prescribes investments that are authorized. The pension and OPEB plans' investments in mutual funds are not rated. Purchases of fixed income investments must be rated BBB by Standard and Poor's or Baa by Moody's or higher. The investment policy statements of the pension and OPEB plans define fixed income investments as U.S. government and agency securities, corporate notes and bonds and private and agency residential and commercial mortgage-backed securities.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal policy over interest rate risk for investments, other than pension and OPEB plan investments. Although the District does not have a formal policy, investments other than those in the pension and OPEB plans are generally short-term, reducing exposure to fair value losses arising from increasing interest rates. The investment policy statements of the pension and OPEB plans do not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Mutual funds (debt and equity funds) are not subject to interest rate risk given they have no maturity dates.

Concentration of credit risk: The District does not have a formal policy over concentration of credit risk for investments, other than pension and OPEB investments. Although the District does not have a formal policy, this risk is mitigated by adherence to the requirements of State Statute 30-3209, which prescribes investments that are authorized. The investment policy statements of the pension and OPEB plans apply the prudent investor guidelines. Consistent with prudent standards for the preservation of capital and maintenance of liquidity, the goal of the plans is to earn the highest possible rate of return consistent with the plans' tolerance for risk. It is the policy of the pension and OPEB plans that the portfolios should be well diversified in an attempt to reduce the overall risk of the portfolios. The investment policy statements of the pension and OPEB plans limit the amount invested in a single investment security to 5 percent of the total portfolio, with the exception of investments guaranteed by the U.S. government. The investment policy statements also limit the amount invested in a single investment pool or company (mutual fund) to 20 percent of the total portfolio, with the exception of passively-managed investment vehicles seeking to match the returns on a broadly-diversified market index.

Rate of return: For the years ended December 31, 2021 and 2020, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was 13.7% and 14.7%, respectively. For the years ended December 31, 2021 and 2020, the annual money weighted rate of return on OPEB plan investments, net of OPEB plan expense was 14.8% and 15.8%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Asset allocation: The investment policy statements of the pension and OPEB plans have the following asset allocation ranges permitted and the long-term expected geometric real rate of return for each major asset class:

	Target Allocation			
Asset Class	**Pension Plan**		**OPEB**	
Domestic (U.S.) Equities	36.0	%	40.0	%
International (Non-U.S.) Equities	24.0		27.0	
U.S. Aggregate Bonds	15.0		11.0	
International Bonds	3.0		3.0	
Intermediate Term Credit	11.0		9.0	
Short Term Credit	3.0		2.0	
REITS	8.0		8.0	
Total	100.0	%	100.0	%

Mutual funds may be used for these asset classes. Investments in mutual funds are not subject to concentration of credit risk.

Custodial credit risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District and the pension and OPEB plans do not have a policy for custodial credit risk. As of December 31, 2021 and 2020, the District's investments were not exposed to custodial credit risk because they were registered in the District's name and held by the counterparty or the counterparty's trust department. The mutual funds (equity and debt funds) of the pension and OPEB plans are not exposed to custodial credit risk.

(4) Utility Plant

Utility plant at December 31, 2021 and 2020 is summarized as follows:

	Gas Department	Water Department	Total
2021			
Utility plant in service:			
Depreciable	$ 689,668,093	1,269,804,212	1,959,472,305
Nondepreciable (land)	4,538,171	15,453,911	19,992,082
Total	694,206,264	1,285,258,123	1,979,464,387
Construction in progress (nondepreciable)	32,951,153	53,001,376	85,952,529
	727,157,417	1,338,259,499	2,065,416,916
Less:			
Accumulated depreciation	(228,414,449)	(352,383,846)	(580,798,295)
	$ 498,742,968	985,875,653	1,484,618,621
2020			
Utility plant in service:			
Depreciable	$ 663,383,345	1,189,019,644	1,852,402,989
Nondepreciable (land)	4,538,171	13,876,706	18,414,877
Total	667,921,516	1,202,896,350	1,870,817,866
Construction in progress (nondepreciable)	20,075,686	86,044,271	106,119,957
	687,997,202	1,288,940,621	1,976,937,823
Less:			
Accumulated depreciation	(213,345,163)	(331,275,524)	(544,620,687)
	$ 474,652,039	957,665,097	1,432,317,136

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The provision for depreciation expense is as follows:

	2021			2020		
	Gas Department	Water Department	Total	Gas Department	Water Department	Total
Charged to depreciation	$ 18,003,195	15,281,653	33,284,848	17,156,427	14,734,821	31,891,248
Charged to operating and maintenance	4,084,571	1,202,780	5,287,351	3,937,308	1,363,713	5,301,021
	$ 22,087,766	16,484,433	38,572,199	21,093,735	16,098,534	37,192,269

The depreciation expense presented above includes a reduction of expense of $8,395,917 and $7,870,812 for the year ended December 31, 2021 and 2020, respectively, due to the amortization of CIAC.

Capital asset activity for the year ended December 31, 2021 and 2020 is as follows:

	Balance, beginning of year	Increases	Decreases	Balance, end of year
2021				
Gas Department:				
Utility plant in service	$ 667,921,516	34,592,659	(8,307,911)	694,206,264
Construction in progress	20,075,686	47,441,195	(34,565,728)	32,951,153
Accumulated depreciation	(213,345,163)	(22,953,960)	7,884,674	(228,414,449)
	$ 474,652,039	59,079,894	(34,988,965)	498,742,968
Water Department:				
Utility plant in service	$ 1,202,896,350	86,603,278	(4,241,505)	1,285,258,123
Construction in progress	86,044,271	53,562,940	(86,605,835)	53,001,376
Accumulated depreciation	(331,275,524)	(24,014,156)	2,905,834	(352,383,846)
	$ 957,665,097	116,152,062	(87,941,506)	985,875,653
	$ 1,432,317,136	175,231,956	(122,930,471)	1,484,618,621
2020				
Gas Department:				
Utility plant in service	$ 631,065,357	46,884,638	(10,028,479)	667,921,516
Construction in progress	21,316,487	44,856,539	(46,097,340)	20,075,686
Accumulated depreciation	(199,449,662)	(21,941,667)	8,046,166	(213,345,163)
	$ 452,932,182	69,799,510	(48,079,653)	474,652,039
Water Department:				
Utility plant in service	$ 1,159,933,052	45,251,439	(2,288,141)	1,202,896,350
Construction in progress	59,714,624	71,586,427	(45,256,780)	86,044,271
Accumulated depreciation	(309,099,003)	(23,121,414)	944,893	(331,275,524)
	$ 910,548,673	93,716,452	(46,600,028)	957,665,097
	$ 1,363,480,855	163,515,962	(94,679,681)	1,432,317,136

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December 31, 2021 and 2020

(5) Long-Term Obligations

Activity in long-term obligations for the year ended December 31, 2021 and 2020 is as follows:

	Balance, beginning of year	Increases	Decreases	Balance, end of year	Due within one year
2021					
Revenue Bonds:					
Water Revenue Bonds					
Series 2018	$ 34,820,000	—	1,355,000	33,465,000	1,425,000
Plus unamortized premium	1,008,236	—	103,173	905,063	—
Water Revenue Bonds					
Series 2015	149,050,000	—	9,200,000	139,850,000	9,665,000
Plus unamortized premium	7,250,586	—	1,087,279	6,163,307	—
Water Revenue Bonds					
Series 2012	28,035,000	—	1,925,000	26,110,000	1,970,000
Plus unamortized premium	1,549,543	—	129,513	1,420,030	—
Gas Revenue Bonds					
Series 2018	29,470,000	—	1,150,000	28,320,000	1,205,000
Plus unamortized premium	1,087,949	—	109,237	978,712	—
Notes from Direct Borrowings and Direct Placements:					
NDEQ note payable	3,328,341	—	287,926	3,040,415	293,715
Net OPEB liability	94,400,571	—	26,001,422	68,399,149	—
Net pension liability (asset)	(5,549,601)	—	40,839,785	(46,389,386)	—
Self-insured risks	5,078,661	5,079,527	3,061,155	7,097,033	5,855,276
Other accrued expenses	9,465,528	6,005,318	6,198,538	9,272,308	6,240,264
	$ 358,994,814	11,084,845	91,448,028	278,631,631	26,654,255

	Balance, beginning of year, as restated	Increases	Decreases	Balance, end of year	Due within one year
2020					
Revenue Bonds:					
Water Revenue Bonds					
Series 2018	$ 36,135,000	—	1,315,000	34,820,000	1,355,000
Plus unamortized premium	1,114,813	—	106,577	1,008,236	—
Water Revenue Bonds					
Series 2015	157,800,000	—	8,750,000	149,050,000	9,200,000
Plus unamortized premium	8,422,102	—	1,171,516	7,250,586	—
Water Revenue Bonds					
Series 2012	29,895,000	—	1,860,000	28,035,000	1,925,000
Plus unamortized premium	1,679,411	—	129,868	1,549,543	—
Gas Revenue Bonds					
Series 2018	30,565,000	—	1,095,000	29,470,000	1,150,000
Plus unamortized premium	1,202,678	—	114,729	1,087,949	—
Notes from Direct Borrowings and Direct Placements:					
NDEQ note payable	3,610,596	—	282,255	3,328,341	287,927
CNG promissory note	245,235	—	245,235	—	—
Net OPEB liability	102,325,938	—	7,925,367	94,400,571	—
Net pension liability	41,392,474	—	46,942,075	(5,549,601)	—
Self-insured risks	4,169,081	4,765,038	3,855,458	5,078,661	4,601,095
Other accrued expenses	8,215,738	6,049,963	4,800,173	9,465,528	6,493,352
	$ 426,773,066	10,815,001	78,593,253	358,994,814	25,012,374

(a) Water Revenue Bonds

Water Revenue Bonds Series 2012

On December 17, 2012, the District issued Water Revenue Bonds Series 2012 for a par value of $40,745,000. The balance, annual installments, and interest rates at December 31, 2021 and 2020 consist of:

	Interest rate		Annual installment	Principal outstanding 2021	Principal outstanding 2020
Series 2012 bonds:					
Serial	2.000% - 4.000%	$	1,185,000 - 2,335,000	12,835,000	14,760,000
Term	3.0		2,455,000 - 2,865,000	13,275,000	13,275,000

The Water Revenue Bonds Series 2012 are subject to optional redemption prior to maturity on and after December 15, 2022. Principal and interest payments are as follows:

		Principal	Interest	Total
2022	$	1,970,000	908,544	2,878,544
2023		2,020,000	849,444	2,869,444
2024		2,095,000	768,644	2,863,644
2025		2,170,000	684,844	2,854,844
2026		2,245,000	598,044	2,843,044
2027 – 2031		12,745,000	1,695,275	14,440,275
2032		2,865,000	89,530	2,954,530
	$	26,110,000	5,594,325	31,704,325

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and cash equivalents are classified as restricted on the statement of net position. The District has pledged future water revenues to repay the Water Revenue Bonds Series 2012. Proceeds from the bonds were used to finance a portion of the costs of improvements to the District's Water System including multiple projects undertaken to upgrade the District's Platte South Plant and Florence Plant in part to comply with current regulatory requirements. The Water Revenue Bonds Series 2012 are payable solely from water revenues and are payable through 2032. Principal and interest payments of $1,925,000 and $966,294, respectively, were paid on these bonds in 2021. Principal and interest payments of $1,860,000 and $1,040,694, respectively, were paid on these bonds in 2020. Total water revenues for the year ended December 31, 2021 and 2020 were $142,738,219 and $140,407,189 respectively.

Water Revenue Bonds Series 2015

On December 8, 2015, the District issued Water System Improvement and Refunding Revenue Bonds, Series 2015 (the 2015 Bonds) for a par value of $188,895,000. The 2015 Bonds were issued for the purpose of financing a portion of the costs of improvements to the District's Water System including multiple projects undertaken to upgrade the District's Florence Water Treatment Plant, and to refund $153,780,000 aggregate principal amount of the District's outstanding 2006A Bonds and 2006B Bonds.

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and cash equivalents are classified as restricted on the statement of net position. The District has pledged future water revenues to repay the 2015 Bonds. The 2015 Bonds are payable solely from water revenues and are payable through 2035. Principal and interest payments of $9,200,000 and $5,709,505, respectively, were paid on these bonds in 2021. Principal and interest payments of $8,750,000 and $6,147,005, respectively, were paid on these bonds in 2020. Total water revenues for the year ended December 31, 2021 and 2020 were $142,738,219 and $140,407,189, respectively.

The balance, annual installments, and interest rates at December 31, 2021 and 2020 consist of:

	Interest rate	Annual installment	Principal outstanding 2021	2020
Series 2015 bonds:				
Serial	2.850% - 5.000%	$ 7,330,000 - 14,115,000	132,030,000	141,230,000
Term	3.500	2,520,000 - 2,695,000	7,820,000	7,820,000

The Water Revenue Bonds Series 2015 are subject to optional redemption prior to maturity on and after December 1, 2025. Principal and interest payments are as follows:

	Principal	Interest	Total
2022	$ 9,665,000	5,249,505	14,914,505
2023	10,155,000	4,766,255	14,921,255
2024	10,680,000	4,258,505	14,938,505
2025	11,220,000	3,724,505	14,944,505
2026	11,790,000	3,163,505	14,953,505
2027 – 2031	64,405,000	10,136,600	74,541,600
2032 – 2035	21,935,000	1,285,963	23,220,963
	$ 139,850,000	32,584,838	172,434,838

Water Revenue Bonds Series 2018

On September 27, 2018, the District issued Water System Revenue Bonds, Series 2018 (the 2018 Water Bonds) for a par value of $37,390,000. The 2018 Water Bonds were issued for the purpose of financing a portion of the costs of improvements to the District's Water System including multiple projects undertaken to upgrade the District's Florence Water Treatment Plant and other improvements to the District's Water System.

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and cash equivalents are classified as restricted on the statement of net position. The remaining net proceeds from the 2018 Water Bonds will be used to finance a portion of the costs to improve the District's Florence Water Treatment Plant.

The District has pledged future water revenues to repay the 2018 Water Bonds. The 2018 Water Bonds are payable solely from water revenues and are payable through 2038. Principal and interest payments of $1,355,000 and $1,272,769, respectively, were paid on these bonds in 2021. Principal and interest payments of $1,315,000 and $1,312,219, respectively, were paid on these bonds in 2020. Total water revenues for the year ended December 31, 2021 and 2020 were $142,738,219 and $140,407,189, respectively.

The balance, annual installments, and interest rates at December 31, 2021 and 2020 consist of:

	Interest rate	Annual installment	Principal outstanding 2021	Principal outstanding 2020
Series 2018 bonds:				
Serial	2.500% - 5.000%	$ 1,255,000 - 2,540,000	33,465,000	34,820,000

The Water Revenue Bonds Series 2018 are subject to optional redemption prior to maturity on and after December 1, 2025. Principal and interest payments are as follows:

	Principal	Interest	Total
2022	$ 1,425,000	1,205,019	2,630,019
2023	1,495,000	1,133,769	2,628,769
2024	1,570,000	1,059,019	2,629,019
2025	1,645,000	980,519	2,625,519
2026	1,690,000	939,394	2,629,394
2027 – 2031	9,490,000	3,649,325	13,139,325
2032 – 2036	11,150,000	1,994,481	13,144,481
2037 – 2038	5,000,000	254,474	5,254,474
	$ 33,465,000	11,216,000	44,681,000

Series 2012, Series 2015 and Series 2018 Debt Service Requirements

The total principal and interest payments for the Series 2012, 2015 and 2018 water revenue bonds are as follows:

		Principal	Interest	Total
2022	$	13,060,000	7,363,068	20,423,068
2023		13,670,000	6,749,468	20,419,468
2024		14,345,000	6,086,167	20,431,167
2025		15,035,000	5,389,868	20,424,868
2026		15,725,000	4,700,942	20,425,942
2027 – 2031		86,640,000	15,481,200	102,121,200
2032 – 2036		35,950,000	3,369,975	39,319,975
2037 – 2038		5,000,000	254,475	5,254,475
	$	199,425,000	49,395,163	248,820,163

Series 2012, Series 2015 and Series 2018 Debt Covenant Compliance

At December 31, 2021, the District was in compliance with the provisions of the Series 2012, 2015 and 2018 water revenue bond covenants. The District covenants that it will fix, establish, and maintain rates or charges for water, services, or facilities supplied or furnished by the District that will provide an amount sufficient to pay current expenses and to generate net revenue at least equal to the sum of: (a) 120% of the amount equal to the average principal and interest requirements on the bonds, including any parity revenue bonds, then Outstanding; and (b) 100% of the amount required to pay any other unpaid long-term obligations (excluding current expenses) and any other unpaid indebtedness of the District (including any amounts required to be accumulated and maintained as reserves therefore) that are payable from system revenues, as the same shall become due.

Charges and assessments exceeded amounts required by covenants by approximately $32.1 million for 2021; funds available for debt service were equal to 3.4 times average debt service costs in 2021.

Series 2012, Series 2015 and Series 2018 Remedies for Default

The Series 2012, 2015 and 2018 water revenue bond agreements contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment.

(b) Gas Revenue Bonds

Gas Revenue Bonds Series 2018

On June 28, 2018, the District issued Gas System Revenue Bonds, Series 2018 (the 2018 Gas Bonds) for a par value of $31,605,000. The 2018 Gas Bonds were issued for the purpose of financing a portion of the costs of improvements to the District's Gas System, including replacement of cast iron gas mains throughout the District's service area and infrastructure improvements to the Gas System.

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and cash equivalents are classified as restricted on the statement of net position.

The District has pledged future gas revenues to repay the 2018 Gas Bonds. The 2018 Gas Bonds are payable solely from gas revenues and are payable through 2038. Principal and interest payments of $1,150,000 and $1,098,679, respectively, were paid on these bonds in 2021. Principal and interest payments of $1,095,000 and $1,153,429, respectively, were paid on these bonds in 2020. Total gas revenues for the year ended December 31, 2021 and 2020 was $247,958,650 and $190,671,685, respectively.

The balance, annual installments, and interest rates at December 31, 2021 and 2020 consist of:

	Interest rate		Annual installment	Principal outstanding 2021	2020
Series 2018 bonds:					
Serial	2.750% - 5.000%	$	1,040,000 - 2,175,000	18,915,000	20,065,000
Term	3.500% - 4.000%	$	1,650,000 - 2,095,000	9,405,000	9,405,000

The Gas Revenue Bonds Series 2018 are subject to optional redemption prior to maturity on and after December 1, 2024. Principal and interest payments are as follows:

		Principal	Interest	Total
2022	$	1,205,000	1,041,179	2,246,179
2023		1,265,000	980,929	2,245,929
2024		1,330,000	917,679	2,247,679
2025		1,395,000	851,179	2,246,179
2026		1,435,000	812,816	2,247,816
2027– 2031		8,005,000	3,233,506	11,238,506
2032 – 2036		9,415,000	1,824,939	11,239,939
2037 – 2038		4,270,000	225,174	4,495,174
	$	28,320,000	9,887,401	38,207,401

Series 2018 Debt Covenant Compliance

At December 31, 2021, the District was in compliance with the provisions of the Series 2018 gas revenue bond covenants. The District covenants that it will fix, establish, and maintain rates or charges for gas, services, or facilities supplied or furnished by the District that will provide an amount sufficient to pay current expenses and to generate net revenue at least equal to the sum of: (a) 120% of the amount equal to the average principal and interest requirements on the bonds, including any parity revenue bonds, then Outstanding; and (b) 100% of the amount required to pay any other unpaid long-term obligations (excluding current expenses) and any other unpaid indebtedness of the District (including any amounts required to be accumulated and maintained as reserves therefore) that are payable from system revenues, as the same shall become due.

Charges and assessments exceeded amounts required by covenants by approximately $57.1 million for 2021; funds available for debt service were equal to 26.6 times average debt service costs in 2021.

Series 2018 Remedies for Default

The Series 2018 gas revenue bond agreement contains a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment.

(c) Direct Borrowings and Direct Placements

NDEQ Note Payable

Included in long-term debt in the Water Department is a note payable, bearing a 2% interest rate, to the Nebraska Department of Environmental Quality (NDEQ). This note payable relates to construction of the Platte South contact basin project. The District's loan agreement was based on a budgeted project cost of $7,049,000; if actual project costs equal budget, the agreement results in a loan amount of $5,959,225 with the NDEQ, and principal forgiveness of $1,089,775, in the form of a grant. The Platte South contact basin project was completed in late 2012, with total direct project costs of $6,886,837, resulting in total committed loan funds of $5,797,062.

The District has pledged future water revenues to repay this note payable. The lien of NDEQ on the water revenues is subordinate to the lien on such revenues of the District's water revenue bonds.

This note payable contains a provision that in the event of default on the part of the District, all unpaid amounts outstanding are due and payable immediately. The District must also pay reasonable fees and expenses incurred by the NDEQ in the collection of the loan and enforcement of the agreement.

During 2021 and 2020, the District paid back $287,927 and $282,254, respectively, as principal. The note payable requirements to maturity, June 15, 2031, for the NDEQ note payable are as follows:

		Principal	Interest	Administrative fee	Total
2022	$	293,715	59,347	29,674	382,736
2023		299,618	53,443	26,722	379,783
2024		305,641	47,421	23,711	376,772
2025		311,784	41,278	20,639	373,701
2026		318,051	35,011	17,505	370,567
2027-2031		1,511,606	76,559	38,279	1,626,444
	$	3,040,415	313,059	156,529	3,510,003

CNG Promissory Note

The District's Gas Department entered into a Business Loan Agreement on December 16, 2010 for $2,200,300. This loan was a low-interest loan obtained from the Nebraska Energy Office and its lending partner. The interest rate was fixed at 2.5%. This loan matured on December 15, 2020 and was paid off in 2020.

(6) Line of Credit

The District has an unsecured line of credit for $20,000,000. The current Loan Agreement matures July 1, 2024. The interest rate on the line of credit is variable and is calculated based on the U.S. Prime Rate less 2.63 percentage points with a minimum rate of 1.95%. As of December 31, 2021, the interest rate was 1.95% and no amount was outstanding. The District did not draw on the line of credit during 2021 or 2020.

(7) Defined-Benefit Pension Plan

General Information about the Pension Plan

(a) Plan Description

The District sponsors the Retirement Plan for Employees of the Metropolitan Utilities District of Omaha (the Plan) for all regular full-time employees of the Water and Gas Departments. The Plan is a single-employer defined benefit pension plan administered by the District. The Plan was established and may be amended only by the Board. The Plan is not subject to either minimum funding standards of the Employee Retirement Income Security Act of 1974 or the maximum funding limitations. The District does not issue a separate report that includes financial statements and required supplementary information for the Plan.

The Board has fiduciary responsibility for the Plan along with Vanguard Institutional Advisory Services, who serves in the role of discretionary asset manager/co-fiduciary. The Board consists of seven directors, elected by the District's customer-owners. Administrative responsibility for the Plan has been delegated to the Board's Insurance and Pension Committee, which consists of three Board members who are appointed by the full Board. The Committee's decisions and direction are implemented by the Management Pension Committee, comprised of the following District employees: the President, the Chief Financial Officer, the General Counsel and the Vice President of Accounting.

(b) Benefits Provided

The Plan provides retirement, disability (in the form of continued credited service), death, and termination benefits. An employee of the District is eligible for coverage at the time of employment. Vesting is achieved upon the completion of five years of service. Normal retirement age is 60 with 5 years of service. Retirement benefits are calculated using the average compensation for the highest paid 24 consecutive months out of the most recent 120 months, multiplied by the total years of service and the formula factor of 2.15% for the first 25 years of service, 1.00% for the next 10 years of service and 0.50% for each year of service above 35. The benefit amount is reduced under early retirement which is available at age 55 and 5 years of service.

Benefit terms provide for cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. Adjustments are made, if warranted, each January 1 and July 1 based on the increase in the Consumer Price Index of Urban Wage Earners and Clerical Workers. The annual increase in the member's benefit cannot exceed 3.00%, and adjustments cannot be negative.

(c) Employees Covered by Benefit Terms

As of January 1, 2021, membership of the Plan consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	661
Disabled members	26
Inactive members entitled to but not yet receiving benefits	49
Inactive non-vested members	2
Active members	808
Total	1,546

(d) Contributions

Benefit and contribution provisions are established by and may be amended only by the Board. The contribution rate for certain employees is established by a collective bargaining agreement. The Board sets the contribution rates for employees who are not covered by the collective bargaining agreement. An actuarial valuation is performed each year to determine the actuarial required contribution, based on the funding goals set by the Board, which is then contributed by the District. The District's policy is to contribute amounts approved in the annual budget, which are generally greater than or equal to the actuarially determined annual required contribution. At times, the District has contributed in excess of the full annual required contribution.

For calendar year 2021, each member contributed 8.0% of pensionable earnings, as provided by the collective bargaining agreement approved by the Board in March 2018 and effective for April 1, 2018 through March 31, 2023. There are additional increases to the employee pension contributions effective January 1 of each year: 8.5% in 2022 and 9.0% in 2023. The contribution rate for employees not covered by the collective bargaining agreement is expected to align with the rates stated in the collective bargaining agreement through 2023. District contributions to the Plan totaled $11,600,000 for the fiscal year ending December 31, 2021 and $12,300,000 for the fiscal year ending December 31, 2020.

METROPOLITAN UTILITIES DISTRICT

Notes to Basic Financial Statements

December 31, 2021 and 2020

Pension Plan Fiduciary Net Position

Financial information about the pension plan's fiduciary net position and the changes in fiduciary net position for the years ended December 31, 2021 and 2020 are as follows:

Statements of Plan Fiduciary Net Position at December 31, 2021 and 2020

		2021	2020
Assets			
Cash and cash equivalents	$	1,599,643	1,610,995
Investments at fair value			
Mutual funds:			
Fixed income funds		178,067,965	136,841,702
Domestic equity funds		266,450,800	242,432,356
International equity funds		131,030,611	132,753,722
Total investments		575,549,376	512,027,780
Total assets		577,149,019	513,638,775
Net position restricted for pensions	$	577,149,019	513,638,775

Statements of Changes in the Fiduciary Net Position
for the Years Ended December 31, 2021 and 2020

		2021	2020
Additions:			
Employer contributions	$	11,600,000	12,300,000
Employee contributions		5,374,956	5,021,423
Total contributions		16,974,956	17,321,423
Net investment income		69,875,660	66,226,054
Total additions		86,850,616	83,547,477
Deductions:			
Service benefits		23,236,403	21,897,160
Administrative expenses		103,969	92,241
Total deductions		23,340,372	21,989,401
Net increase		63,510,244	61,558,076
Net position restricted for pensions:			
Beginning of year		513,638,775	452,080,699
End of year	$	577,149,019	513,638,775

Net Pension (Asset) Liability

All of the District's pension assets are available to pay member's benefit. The net pension (asset) liability as of December 31, 2021 and 2020 was as follows:

		2021	2020
Total pension liability	$	530,759,633	508,089,174
Fiduciary net position		577,149,019	513,638,775
Net pension asset		(46,389,386)	(5,549,601)
Fiduciary net position as a % of total pension liability		108.74%	101.09%
Covered payroll	$	67,274,914	66,588,665
Net pension asset as a % of covered payroll		-68.95%	-8.33%

(a) Actuarial Assumptions

The District's net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined based on an actuarial valuation prepared as of January 1, 2021, rolled forward one year to December 31, 2021.

The total pension liability was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases, including inflation	3.65% to 11.4%
Long-term investment rate of return, net of pension plan investment expenses, including inflation	6.75%
Cost-of-living adjustment	2.50%

Mortality rates for employees (active members) were based on the Pub-2010 General Members (Median) Employee Mortality Table projected generationally using the MP-2020 Scale.

Mortality rates for retirees were based on the Pub-2010 General Members (Median) Retiree Mortality Table projected generationally using the MP-2020 Scale.

Mortality rates for beneficiaries were based on the Pub-2010 General Members (Median) Contingent Survivor Mortality Table projected generationally using the MP-2020 Scale.

Mortality rates for disabled annuitants were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table projected generationally using the MP-2020 Scale.

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience study prepared for the Plan. The results of the most recent experience study were presented in a report dated October 25, 2021. In November 2021, the Board adopted a revision to the Investment Policy Statement, including lowering the long-term investment return assumption to 6.75%. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the Plan's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumed long-term rate of return is intended to be a long-term assumption (50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Projected future benefit payments for all current plan members were projected through 2120.

The target asset allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic (U.S.) equities	36.0 %	3.7 %
International (Non-U.S.) equities	24.0	6.3
U.S. aggregate bonds	15.0	1.4
International bonds	3.0	0.9
Intermediate term credit	11.0	1.8
Short term credit	3.0	1.7
REITS	8.0	3.4
Total	100.0 %	

(b) Discount Rate

The discount rate used to measure the total pension liability at December 31, 2021 was 6.75%. The discount rate used to measure total pension liability at December 31, 2020 was 6.90%. The projection of cash flows used to determine the discount rate assumed the plan contributions from members and the District will be made at the current contribution rates as set out in the labor agreements in effect on the measurement date:

a. Employee contribution rate: 8.00% of pensionable earnings for all employees, as provided by the collective bargaining agreement approved by the Board in March 2018 and effective for April 1, 2018 through March 31, 2023. There are additional increases to the employee pension contributions effective January 1 of each year: 8.50% in 2022 and 9.00% in 2023. The contribution rate for employees not covered by the collective bargaining agreement is expected to align with the rates stated in the collective bargaining agreement through 2023.

b. District contribution: The actuarial contribution rate less the employee contribution rate times expected pensionable payroll for the plan year.

c. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.

Based on those assumptions, the 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 Plan investments of 6.75% was applied to all periods of projected benefit payments to determine the total pension liability.

(c) Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the District as of December 31, 2021, calculated using the discount rate of 6.75%, as well as the District's net pension asset calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1% Increase (7.75%)**
2021	$ 22,216,330	(46,389,386)	(103,746,395)

The following presents the net pension asset of the District as of December 31, 2020, calculated using the discount rate of 6.90%, as well as the District's net pension asset calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the discount rate used as of December 31, 2020:

	1% Decrease (5.90%)	**Current Discount Rate (6.90%)**	**1% Increase (7.90%)**
2020	$ 60,051,236	(5,549,601)	(60,315,140)

METROPOLITAN UTILITIES DISTRICT

Notes to Basic Financial Statements

December 31, 2021 and 2020

(d) Changes in Net Pension (Asset) Liability

		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at December 31, 2019	$	493,473,173	452,080,699	41,392,474
Changes for the year:				
Service cost		12,718,417	-	12,718,417
Interest on total pension liability		33,306,797	-	33,306,797
Differences between expected and actual experience		(9,512,053)	-	(9,512,053)
Assumption changes		-	-	-
Employer contributions		-	12,300,000	(12,300,000)
Employee contributions		-	5,021,423	(5,021,423)
Net investment income		-	66,226,054	(66,226,054)
Benefit payments, including member refunds		(21,897,160)	(21,897,160)	-
Administrative expenses		-	(92,241)	92,241
Net changes		14,616,001	61,558,076	(46,942,075)
Balances at December 31, 2020	$	508,089,174	513,638,775	(5,549,601)
Changes for the year:				
Service cost		13,007,768	-	13,007,768
Interest on total pension liability		34,269,868	-	34,269,868
Differences between expected and actual experience		(6,869,382)	-	(6,869,382)
Assumption changes		5,498,608	-	5,498,608
Employer contributions		-	11,600,000	(11,600,000)
Employee contributions		-	5,374,956	(5,374,956)
Net investment loss		-	69,875,660	(69,875,660)
Benefit payments, including member refunds		(23,236,403)	(23,236,403)	-
Administrative expenses		-	(103,969)	103,969
Net changes		22,670,459	63,510,244	(40,839,785)
Balances at December 31, 2021	$	530,759,633	577,149,019	(46,389,386)

Pension (Income) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The District recognized pension (income) expense of ($13,856,876) and ($3,822,470) for the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	-	13,686,574
Changes of assumptions		9,750,695	-
Differences between projected and actual earnings on pension plan investments		-	59,922,684
Total	$	9,750,695	73,609,258

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	-	10,429,929
Changes of assumptions		7,329,257	-
Differences between projected and actual earnings on pension plan investments		-	45,374,982
Total	$	7,329,257	55,804,911

The net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows:

Year ended December 31:		Net Deferred Outflows/(Inflows) of Resources
2022	$	(15,134,276)
2023		(24,875,245)
2024		(14,549,380)
2025		(8,343,498)
2026		(829,664)
Thereafter		(126,500)
	$	(63,858,563)

(8) Postemployment Benefits

General Information about the OPEB Plan

(a) Plan Description

The District sponsors the Postretirement Benefits for Employees of the Metropolitan Utilities District of Omaha (OPEB Plan). The Plan is a single employer defined benefit health care plan administered by the District. The OPEB Plan provides certain postemployment healthcare and life insurance benefits to eligible retirees and their spouses in accordance with provisions established by the Board. An employee is eligible to elect medical coverage upon retiring. Eligibility for retirement requires attaining age 55 with five years of service. For employees covered by the collective bargaining agreement, and hired on or after September 28, 2013, coverage ceases at age 65. For employees not covered by the collective bargaining agreement hired after January 1, 2014, coverage ceases at age 65. The OPEB Plan was established and may be amended only by the Board. The plan does not issue separate financial statements.

The Board has fiduciary responsibility for the OPEB Plan along with Vanguard Institutional Advisory Services, who serves in the role of discretionary asset manager/co-fiduciary. The Board consists of seven directors, elected by the District’s customer-owners. Administrative responsibility for the OPEB Plan has been delegated to the Board’s Insurance and Pension Committee, which consists of three Board members who are appointed by the full Board. The Committee’s decisions and direction are implemented by the Management Pension Committee, comprised of the following District employees: the President, the Chief Financial Officer, the General Counsel and the Vice President of Accounting.

(b) Plan Membership

As of January 1, 2021, the date of the latest actuarial valuation, membership of the OPEB Plan consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	801
Inactive members entitled to but not yet receiving benefits	26
Active members	808
Total	1,635

(c) Contributions

The contribution requirements of plan members and the District are established and can be amended by the Board. Contributions are made to the plan based on a pay-as-you-go basis, with an additional amount to prefund benefits through an OPEB trust created in 2016, as determined annually by the Board. For the years ended December 31, 2021 and 2020, the following payments were made:

	2021	2020
Water retirees	$ 2,619,950	$ 2,302,269
Gas retirees	3,150,865	2,768,808
Total claims/fees paid	$ 5,770,815	$ 5,071,077
Prefunded benefits	9,692,203	11,646,933
Retiree contributions	(2,212,792)	(2,475,931)
Total	$ 13,250,226	$ 14,242,079

Retiree health premiums are calculated based on a three-year rolling average, with 2021 projected costs serving as the final year of the calculation when determining premiums that went into effect April 1, 2021. Retirees contribute to the cost of retiree health care at varying rates based on their age, as follows: 1) ages 59 and older: 33% of the full premium, 2) age 58: 50% of the full premium and 3) ages 55 through 57: 100% of the full premium. The rates in effect as of April 1, 2021 are as follows: 1) ages 59 and older: $231.16 per month, 2) age 58: $346.74 per month and 3) ages 55 through 57: $693.49 per month. If spousal coverage is purchased, the same age-based monthly rates apply based on the retiree's age, meaning that the cost for spousal coverage is the same as the cost for the retiree's coverage (i.e. in the case of a married couple comprised of a retiree who is 59 and a spouse who is 55; each would pay $231.16 per month).

METROPOLITAN UTILITIES DISTRICT

Notes to Basic Financial Statements

December 31, 2021 and 2020

OPEB Plan Fiduciary Net Position

Financial information about the OPEB plan's fiduciary net position and the changes in fiduciary net position for the years ended December 31, 2021 and 2020 are as follows:

Statements of Plan Fiduciary Net Position at December 31, 2021 and 2020

		2021	2020
Assets			
Investments at fair value			
Mutual funds:			
Fixed income funds	$	19,485,502	14,989,509
Domestic equity funds		39,277,034	28,963,118
International equity funds		20,922,883	16,356,931
Total investments		79,685,419	60,309,558
Total assets		79,685,419	60,309,558
Net position restricted for other postemployment benefits	$	79,685,419	60,309,558

Statements of Changes in the Fiduciary Net Position
For the Years Ended December 31, 2021 and 2020

		2021	2020
Additions:			
Employer contributions	$	13,250,226	14,242,079
Net investment income		9,692,659	7,319,380
Total additions		22,942,885	21,561,459
Deductions:			
Benefit payments		3,558,023	2,595,146
Administrative expenses		9,001	6,132
Total deductions		3,567,024	2,601,278
Net increase		19,375,861	18,960,181
Net position restricted for other postemployment benefits:			
Beginning of year		60,309,558	41,349,377
End of year	$	79,685,419	60,309,558

Net OPEB Liability

The net OPEB liability as of December 31, 2021 and 2020 was as follows:

		2021	2020
Total OPEB liability	$	148,084,568	154,710,129
Fiduciary net position		79,685,419	60,309,558
Net OPEB liability		68,399,149	94,400,571
Fiduciary net position as a % of total OPEB liability		53.81%	38.98%

(a) Actuarial Assumptions

The District's net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined based on an actuarial valuation prepared as of January 1, 2021 rolled forward using standard actuarial techniques to December 31, 2021.

The total OPEB liability was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases, including inflation	3.65% to 10.4%
Long-term investment rate of return, net of OPEB plan investment expenses, including inflation	6.75%
Healthcare cost trend rates:	
Medical trend assumptions (under age 65)	7.00% - 4.50%
Medical trend assumptions (Ages 65 and older)	5.25% - 4.50%
Year of ultimate trend rate	Fiscal Year Ended 2031

Pre-retirement mortality rates were based on the Pub-2010 General Members (Median) Employee Mortality Table projected generationally using the MP-2020 Scale.

Post-retirement mortality rates for retirees were based on the Pub-2010 General Members (Median) Retiree Mortality Table projected generationally using the MP-2020 Scale.

Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Members (Median) Contingent Survivor Mortality Table projected generationally using the MP-2020 Scale.

Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table projected generationally using the MP-2020 Scale.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the four-year period ending December 31, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumed long-term rate of return is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The following actuarial assumptions and methods used for measuring total OPEB liability were changed since the prior measurement date:

- The discount rate was decreased from 6.90% to 6.75%.
- Mortality rates revised to be based on Pub-2010 tables and projections using the MP-2020 Scale
- Withdrawal and Retirement rates revised
- Salary scale revised to adjust salary inflation from 3.50% to 3.40%
- The spousal coverage assumption was changed from 65% to 60%.
- Price inflation assumption was changed from 2.60% to 2.50% per year.
- Health care cost trend rates and retiree claim costs were updated.

The target asset allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic (U.S.) equities	40.0 %	6.8 %
International (Non-U.S.) equities	27.0	8.9
U.S. aggregate bonds	11.0	2.5
International bonds	3.0	2.8
Intermediate term credit	9.0	4.0
Short term credit	2.0	3.8
REITS	8.0	5.9
Total	100.0 %	

(b) Discount Rate

The discount rate used to measure the total OPEB liability at December 31, 2021 was 6.75%. The projection of cash flows used to determine the discount rate was based on an actuarial valuation performed as of January 1, 2021 with some adjusted assumptions regarding election of coverage. In addition to the actuarial methods and assumptions, the following actuarial methods and assumptions were used in the projection of cash flows:

a. The District is currently paying benefits on a pay-as-you-go basis and has established a trust to pay future benefits. The trust is still growing and has not yet begun to pay benefit payments. The long-term intent is to eventually pay benefits from the trust.

b. Based on the funding policy adopted on August 1, 2018, the District intends to contribute, at a minimum, the Actuarially Determined Contribution (ADC) for all years beginning in 2019. The ADC is calculated under funding assumptions, not under GASB 74 or GASB 75 assumptions. There is a separate January 1, 2021 funding report, issued December 15, 2021, that describes the assumptions and methods used to determine the ADC.

c. Because there is a formal funding policy, the amount contributed in future years follows the funding policy: 100% of the ADC.

d. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.

e. Projected future payments for all current plan members were projected into the future.

Based on these assumptions, the plan's FNP was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of a single equivalent interest rate (SEIR). The long-term expected rate of return of 6.75% on Plan investments was applied to all periods, resulting in a SEIR of 6.75%.

(c) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District as of December 31, 2021, calculated using the discount rate of 6.75%, as well as the District's net OPEB liability calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

2021		**1% Decrease (5.75%)**	**Discount Rate (6.75%)**	**1% Increase (7.75%)**
Net OPEB Liability	$	93,344,937	68,399,149	53,456,110

The following presents the net OPEB liability of the District as of December 31, 2020, calculated using the discount rate of 6.90%, as well as the District's net OPEB liability calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate:

2020		1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Net OPEB Liability	$	115,121,037	94,400,571	77,402,894

(d) ***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the net OPEB liability of the District as of December 31, 2021, calculated using the healthcare cost trend rate of 7.00% decreasing to 4.50% for pre-Medicare and 5.25% decreasing to 4.50% for Medicare eligible, as well as the District's net OPEB liability calculated using a healthcare trend rate that is 1 percentage point lower (6.00% decreasing to 3.50%) or 1 percentage point higher (8.00% decreasing to 5.50%) than the current rate:

2021		1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	$	51,719,275	68,399,149	95,831,947

The following presents the net OPEB liability of the District as of December 31, 2020, calculated using the healthcare cost trend rate of 7.00% decreasing to 4.60% for pre-Medicare and 5.00% decreasing to 4.60% for Medicare eligible, as well as the District's net OPEB liability calculated using a healthcare trend rate that is 1 percentage point lower (6.00% decreasing to 3.60%) or 1 percentage point higher (8.00% decreasing to 5.60%) than the current rate:

2020		1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	$	73,988,875	94,400,571	119,867,454

METROPOLITAN UTILITIES DISTRICT

Notes to Basic Financial Statements

December 31, 2021 and 2020

(e) Changes in Net OPEB Liability

		Increases (Decreases)		
		Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB (Asset) Liability (a) - (b)**
Balances at December 31, 2019	$	143,675,315	41,349,377	102,325,938
Changes for the year:				
Service cost		3,804,402	-	3,804,402
Interest on total OPEB liability		9,825,558	-	9,825,558
Employer contributions		-	14,242,079	(14,242,079)
Net investment income		-	7,319,380	(7,319,380)
Benefit payments		(2,595,146)	(2,595,146)	-
Administrative expenses		-	(6,132)	6,132
Net changes		11,034,814	18,960,181	(7,925,367)
Balances at December 31, 2020	$	154,710,129	60,309,558	94,400,571
Changes for the year:				
Service cost		3,937,556	-	3,937,556
Interest on total pension liability		10,554,294	-	10,554,294
Differences between expected and actual experience		(23,900,067)	-	(23,900,067)
Assumption changes		6,340,679	-	6,340,679
Employer contributions		-	13,250,226	(13,250,226)
Net investment loss		-	9,692,659	(9,692,659)
Benefit payments		(3,558,023)	(3,558,023)	-
Administrative expenses		-	(9,001)	9,001
Net changes		(6,625,561)	19,375,861	(26,001,422)
Balances at December 31, 2021	$	148,084,568	79,685,419	68,399,149

OPEB (Income) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District recognized OPEB (income) expense of ($6,277,798) and ($1,957,777) for the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	20,207,389
Changes of assumptions	-	25,907,189
Differences between projected and actual earnings on OPEB plan investments	-	7,793,928
Total	$ -	53,908,506

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	343,093
Changes of assumptions	-	42,352,038
Differences between projected and actual earnings on OPEB plan investments	-	4,739,977
Total	$ -	47,435,108

The net amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense in future years as follows:

Year ended December 31:	Net Deferred Outflows/(Inflows) of Resources
2022	$ (16,288,791)
2023	(16,889,626)
2024	(13,705,663)
2025	(3,976,928)
2026	(2,902,378)
Thereafter	(145,120)
	$ (53,908,506)

(9) Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all District employees and permits them to defer a portion of their salary until future years. For bargaining employees, following one year of service, the District matches 50% of the first $2,000 deferred by employees hired before September 28, 2013; for employees hired after September 28, 2013, the District matches 100% of the first $2,000 deferred by employees. For employees not covered by the collective bargaining agreement, following one year of service, the District matches 50% of the first $2,000 deferred by employees hired prior to January 1, 2014; for employees hired after January 1, 2014, the District matches 100% of the first $2,000 deferred by employees. “Matching” contributions are remitted following each pay period during which amounts are deferred by eligible employees, until the aforementioned matching limitations are reached; matching contributions immediately vest. The deferred compensation, and associated matching contribution, are available to employees when one of three events occurs: separation of employment, hardship for unforeseeable emergency, or a small balance distribution. District matching contributions totaled $726,843 and $653,993 for 2021 and 2020, respectively. Management has determined the criteria established in GASB Statement No. 84 for control of assets has not been met for this plan, and therefore it is not reported as a fiduciary fund.

(10) Self-Insured Risks

The District is exposed to various risk of loss related to torts, theft of and destruction of assets, errors and omissions, and natural disasters. In addition, the District is exposed to risks of loss due to injuries to, and illnesses of, its employees. The District provides its employees with two health insurance options, both of which are primarily self-insured: a Health Maintenance Organization (HMO) and a preferred provider Organization (PPO). The District utilizes an “Administrative Services Only” contract under which the District reimburses the HMO/PPO for actual claims paid, a monthly administrative fee, and stop-loss protection for individual claims. Individual stop-loss coverage is effective when annual individual claims exceed $425,000, and when aggregate claims exceed 125% of projected levels. A liability for claims is recorded in accounts payable, and was $1,710,773 and $1,886,001 at December 31, 2021 and 2020, respectively.

Changes in the District’s self-insured risk balances for the health plan during 2021 and 2020 are as follows:

	Business-type Activities Total	
	2021	**2020**
Beginning balance	$ 1,886,001	1,840,248
Expenses	29,879,230	30,466,503
Payments	(30,054,458)	(30,420,750)
Ending balance	$ 1,710,773	1,886,001

The District carries commercial insurance coverage for auto and property with deductibles ranging from $500 to $250,000. The District is also self-insured for workers' compensation and general liability and does not carry additional commercial coverage. There have been no significant reductions in insurance coverage in 2021. In 2021, 2020, and 2019, the insurance policies in effect have adequately covered all settlements of claims against the District. No claims have exceeded the limits of property or liability insurance in any of the past three years. Liabilities are recorded for these self-insured risks. The liabilities are based on a combination of loss experience and estimates by the District's in-house legal department.

Changes in the District's self-insured risk balances for workers' compensation and general liabilities during 2021 and 2020 are as follows:

		Gas Department		Water Department	
		2021	2020	2021	2020
Beginning balance	$	2,421,341	1,331,955	2,657,320	2,837,126
Expenses		1,853,853	2,105,883	3,385,703	2,659,155
Payments		(712,928)	(1,016,497)	(2,508,256)	(2,838,961)
Ending balance	$	3,562,266	2,421,341	3,534,767	2,657,320

(11) Allowance for Doubtful Accounts and Accounts Receivable Write-offs

The allowance for doubtful accounts provides for the potential write-off of uncollectible account balances. An estimate is made for the Allowance for Doubtful Accounts based on an analysis of the aging of Accounts Receivable and historical write-offs. The District's policy is to write off receivable balances that are over five years old. During 2021, the Water Department and Gas Department wrote off receivables totaling $646,205 and $513,323, respectively. During 2020, the Water Department and Gas Department wrote off receivables totaling $816,003 and $878,020, respectively. The allowance consists of the following at December 31:

		2021	2020
Water Department	$	1,798,680	1,880,409
Gas Department		3,455,730	3,561,890

(12) Commitments

(a) Central Plains Energy Project (CPEP)

Central Plains Energy Project (CPEP) is a public body created under Nebraska Interlocal Law for the purpose of securing long-term, economical, and reliable gas supplies. CPEP currently has three members: the District, Cedar Falls Utilities, and Hastings Utilities, each of which has equal representation on the board of CPEP. CPEP has acquired gas through long-term prepaid gas purchase agreements and delivers gas to its members or customers through long-term gas supply contracts for specified volumes of gas at market-based pricing less a contractual discount. Members or customers are only obligated to pay for gas if, and when, delivered by CPEP. CPEP's debt is not an obligation of the District or any other members or customers of CPEP. CPEP has issued $4.2 billion of gas supply revenue bonds ($2.4 billion of outstanding bonds) to fund these natural gas prepayment transactions, which are secured by gas contracts entered into with each project's members or customers. MUD currently has four Gas Supply Agreements with CPEP as described below.

In 2007, MUD participated in the CPEP Project 1 Series transaction. Under this agreement, the District is taking approximately 90% of the gas acquired in this transaction under a 20-year gas purchase agreement. Terms of this 2007 gas supply agreement were renegotiated in 2009 and again in 2012; the gas flows under this agreement ended on October 31, 2020.

In 2009, MUD participated in the CPEP Project 2 Series transaction. This agreement was for a 30-year supply of gas that the District is taking approximately 88% of the gas acquired in this agreement or 16% of the District's annual gas requirements. This project was refinanced in 2014 subsequent to litigation. The 2014 bonds were refinanced into a 5-year mandatory put of the bonds. The gas in this agreement had 25-years remaining and gas flow was scheduled to end in 2039. In 2019, this project was refinanced as required in the 2014 documents. The gas volumes were extended back to 30-years and now scheduled to end in 2049 and is structured in a similar 5-year mandatory put of the bonds. In 2024 CPEP will have to negotiate a refinance of this transaction.

In 2012, the District participated in CPEP Project 3 Series Transaction. This agreement is for a 30-year supply of gas that the District is taking approximately 86% of the gas acquired in this agreement or 15% of the District's annual gas requirements. This agreement is for a 30-year fixed term with defined savings over the life of the project. In 2017, CPEP did an early refinancing of this transaction that will increase the District's savings beginning in 2022.

In 2018, the District participated in CPEP Project 4 Series Transaction. This agreement is for a 30-year supply of gas that the district is taking approximately 76% of the gas acquired in this agreement or 17% of the District's annual gas requirements. This agreement if for an initial five-year term and subject to refinancing at end of this first term. After the initial five-year term, CPEP, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

At December 31, 2021, the District owed CPEP $11,316,395 for gas purchases under these agreements, which is recorded within "Accounts payable" in the statements of net position. During the year ended December 31, 2021, billings from CPEP to the District for services provided under these agreements were $50,928,499.

The District has contracted to purchase the following volumes of gas from CPEP, through 2050, at a discount to market-based pricing on a pay-as-you-go basis:

	DTH
2022	14,635,600
2023	15,756,100
2024	16,154,500
2025	16,077,000
20206	16,077,000
2027-2050	336,112,300
	414,812,500

In 2021, the District purchased 14,241,600 DTH of gas under these agreements, representing 45% of the District's annual gas requirements.

(b) Other Gas Supply Agreements

The District has various other gas supply contracts with a variety of suppliers, which consist of contracts that expire March 31, 2022 and October 31, 2022 and are generally renewed on an annual basis. The District has other gas supply contracts that expire December 31, 2022 and March 31, 2027 that were purchased based off market conditions and are not an annual purchase.

In 2017, the District entered into a 30-year gas supply contract with the Tennessee Energy Acquisition Corporation (TEAC) for three to four percent of our annual gas requirements. TEAC completed a 30-year natural gas pre-pay transaction using tax exempt bond financing that closed on November 7, 2017; the District was a participant in the deal. Gas flows commenced on April 1, 2018, and the District will achieve total gas cost savings of $1.4 million vs. market prices over the initial five-year term of the deal. After the initial five-year term, TEAC, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on future interest rate levels at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

The District has contracted to purchase the following volumes of gas from TEAC, through 2048, at a discount to market-based pricing on a pay-as-you-go basis:

	DTH
2022	1,063,400
2023	1,063,400
2024	1,068,600
2025	1,063,400
2026	1,401,600
2027 – 2048	33,513,100
	39,173,500

In February 2018, the District entered into a 30-year gas supply contract with the Public Energy Authority of Kentucky (PEAK) for approximately five percent of our annual gas requirements. Gas flows commenced on April 1, 2018, and the District will achieve total gas cost savings of $1.7 million vs. market prices over the initial five-year term of the deal. After the initial five-year term, PEAK, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

The District has contracted to purchase the following volumes of gas from PEAK, through 2048, at a discount to market-based pricing on a pay-as-you-go basis:

	DTH
2022	1,452,550
2023	1,524,569
2024	1,562,009
2025	1,554,305
2026	1,554,305
2027 – 2048	38,981,806
	46,629,544

In March 2018, the District entered into a 30-year gas supply contract with the Black Belt Energy Gas District (Black Belt) for approximately three percent of our annual gas requirements. Gas flows commenced on November 1, 2018, and the District will achieve total gas cost savings of $1.8 million vs. market prices over the initial five-year term of the deal. After the initial five-year term, Black Belt, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

The District has contracted to purchase the following volumes of gas from Black Belt, through 2048, at a discount to market-based pricing on a pay-as-you-go basis:

	DTH
2022	1,004,200
2023	1,004,200
2024	1,009,200
2025	1,004,200
2026	1,319,795
2027 – 2048	37,160,980
	42,502,575

(c) Gas Transportation Agreement

On November 7, 2012, the District's entered into a twenty (20) year firm transportation agreement with Northern Natural Gas; the term of the agreement runs from November 1, 2016 to October 31, 2036. Under this agreement, NNG will provide 198,975 Dth/day of firm transportation service during the months of November through March and 139,283 Dth/day of firm transportation service during the months of April through October. Per the terms of the agreement, 61% of the transportation volumes are priced at a discounted rate below NNG's maximum tariff rate with the remaining 39% priced at NNG's maximum tariff rates. The District's annual pipeline demand costs under this agreement, based on NNG's current tariff rates, will be $15 million.

In June 2019, NNG filed a rate case with the Federal Energy Regulatory Commission (FERC) to increase their rates by over 90%. NNG and its shippers agreed to a settlement in June 2020. The District's existing contract has a rate cap due to any rate cases that has a maximum annual fee of $20 million. After settlement, all of the District's transportation rates are now discounted below their proposed rates. Since the settlement rates were higher than our discounted rates with our contract cap we did not receive any refunds from the interim rates in effect until settlement. The District did have some additional commodity fees from the settlement period that were refunded to the District. The rate cap in our contract is approximately $8 million dollars lower than the annual settlement demand rates.

(d) Construction

At December 31, 2021, the District's obligation under the uncompleted portion of contracts for plant facilities and equipment for the Water Department amounted to approximately $1.2 million, which will be financed through operations and the proceeds from the Water System Revenue Bonds Series 2018.

(13) Contingencies

The District is subject to legal proceedings and claims that arise in the ordinary course of business, as well as litigation related to the M's Pub fire. Management believes, based on the opinion of legal counsel, that the amount of ultimate liability with respect to these actions is adequately covered by the District's accrued liabilities for self-insured risks.

(14) Subsequent Events

On March 16, 2022, the District issued Gas System Revenue Bonds, Series 2022 (the 2022 Gas Bonds) for a par value of $115,040,000. The 2022 Gas Bonds were issued for the purpose of financing a portion of the continued replacement of the cast iron gas mains throughout the District's gas system, expansion, and improvements to the District's liquified natural gas plant and related infrastructure improvements. The 2022 Gas Bonds are payable solely from gas revenues and are payable through 2042.

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Years ended December 31

		2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	$	3,937,556	3,804,402	4,185,594	7,514,662	7,150,328
Interest		10,554,294	9,825,558	9,923,893	9,748,668	9,806,106
Differences between expected and actual experience		(23,900,067)	-	(513,787)	-	-
Assumption changes		6,340,679	-	(9,717,898)	(64,476,519)	(4,130,520)
Benefit payments		(3,558,023)	(2,595,146)	(3,879,157)	(4,253,765)	(4,015,207)
Net change in total OPEB liability		(6,625,561)	11,034,814	(1,355)	(51,466,954)	8,810,707
Total OPEB liability, beginning		154,710,129	143,675,315	143,676,670	195,143,624	186,332,917
Total OPEB liability, ending (a)	$	148,084,568	154,710,129	143,675,315	143,676,670	195,143,624
Plan Fiduciary Net Position						
Employer contributions	$	13,250,226	14,242,079	14,254,367	16,704,020	11,015,207
Net investment income (loss)		9,692,659	7,319,380	6,541,647	(1,616,178)	1,407,980
Benefit payments		(3,558,023)	(2,595,146)	(3,879,157)	(4,253,765)	(4,015,207)
Administrative expenses		(9,001)	(6,132)	(3,367)	(3,194)	(1,491)
Net change in plan fiduciary net position		19,375,861	18,960,181	16,913,490	10,830,883	8,406,489
Plan fiduciary net position, beginning		60,309,558	41,349,377	24,435,887	13,605,004	5,198,515
Plan fiduciary net position, ending (b)	$	79,685,419	60,309,558	41,349,377	24,435,887	13,605,004
Net OPEB liability, ending (a) - (b)	$	68,399,149	94,400,571	102,325,938	119,240,783	181,538,620
Plan fiduciary net position as a percentage of the total OBEP liability		53.81%	38.98%	28.78%	17.01%	6.97%
Covered payroll		74,635,409	73,975,548	69,759,343	68,704,312	67,761,364
Net OPEB liability as a percentage of covered payroll		91.64%	127.61%	146.68%	173.56%	267.91%

Notes to Schedule:

Changes in actuarial assumptions and methods

1/1/21 valuation (assumptions used for measuring total OPEB liability as of December 31, 2021):

1. The discount rate was decreased from 6.90% to 6.75%.
2. Mortality rates revised to be based on Pub-2010 tables and projections using the MP-2020
3. Withdrawal and Retirement rates revised
4. Salary scale revised to adjust salary inflation from 3.50% to 3.40%
5. The spousal coverage assumption was changed from 65% to 60%
6. Price inflation assumption was changed from 2.60% to 2.50%
7. Health care cost trend rates and retiree claim costs were updated.
8. Monthly retiree premiums were updated.

Note: Schedule is intended to show 10-year trend. GASB 74 was adopted in 2017, as such, only five years are presented. Additional years will be reported as they become available.

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Employer Contributions - Other Post Employment Benefits
January 1, 2012 Through December 31, 2021
($ in Thousands)

Fiscal Year Ending December 31	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	15,101	3,155	11,946	51,031	6.18%
2013	15,297	3,686	11,611	55,847	6.60%
2014	15,297	3,225	12,072	59,332	5.44%
2015	16,874	3,935	12,939	63,385	6.21%
2016	16,874	8,167	8,707	66,054	12.36%
2017	15,950	11,015	4,935	67,761	16.26%
2018	15,950	16,704	(754)	68,704	24.31%
2019	13,545	14,254	(709)	69,759	20.43%
2020	13,545	14,242	(697)	73,975	19.25%
2021	10,565	13,250	(2,685)	74,635	17.75%

Beginning Fiscal Year ending December 31, 2017, the Actuarial Determined Contribution (ADC) is calculated in accordance with the District's funding policy, if one exists.

Prior to Fiscal Year ending December 31, 2017, the ADC is equal to the Annual Required Contribution (ARC) calculated under GASB Standards No. 45.

Notes to Schedule

Valuation date: January 1, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	20 years
Asset valuation method	Market value
Long-term investment rate of return	6.75%
Inflation	2.50%
Healthcare cost trend rates:	
Under age 65	7.00% - 4.50%
65 and Older	5.25% - 4.50%
Mortality	Pub-2010 Mortality Tables projected generationally using Scale MP-2020.

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Annual Money-Weighted Rate of Return on OPEB Plan Investments
Fiscal Years ended December 31

Fiscal Year Ending December 31	Annual Money-Weighted Rate of Return
2021	14.8%
2020	15.8%
2019	21.4%
2018	-8.0%
2017	16.2%
2016	6.3

Note: Schedule is intended to show 10-year trend. The OPEB trust was created in 2016, as such, only six years are presented. Additional years will be reported as they become available.

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Changes in Net Pension (Asset) Liability and Related Ratic
Fiscal Years ended December 31

		2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	$	13,007,768	12,718,417	11,710,809	11,863,654	11,137,854	10,857,017	10,160,376
Interest on total pension liability		34,269,868	33,306,797	31,734,106	30,304,199	29,552,506	28,076,211	26,596,785
Differences between expected and actual experience		(6,869,382)	(9,512,053)	1,714,570	(1,597,520)	(5,835,431)	(1,578,237)	-
Assumption changes		5,498,608	-	5,751,024	-	8,713,229	-	-
Benefit payments, including member refunds		(23,236,403)	(21,897,160)	(21,204,786)	(19,116,693)	(17,445,020)	(16,555,144)	(16,154,435)
Net change in total pension liability		22,670,459	14,616,001	29,705,723	21,453,640	26,123,138	20,799,847	20,602,726
Total pension liability, beginning		508,089,174	493,473,173	463,767,450	442,313,810	416,190,672	395,390,825	374,788,099
Total pension liability, ending (a	$	530,759,633	508,089,174	493,473,173	463,767,450	442,313,810	416,190,672	395,390,825
Plan Fiduciary Net Position								
Employer contributions	$	11,600,000	12,300,000	12,300,000	11,606,179	11,193,821	10,300,000	10,301,268
Employee contributions		5,374,956	5,021,423	4,413,137	3,805,373	3,757,444	3,895,899	2,820,596
Net investment income		69,875,660	66,226,054	78,431,581	(20,727,828)	52,812,850	25,696,348	(748,921)
Benefit payments, including member refunds		(23,236,403)	(21,897,160)	(21,204,786)	(19,116,693)	(17,445,020)	(16,555,144)	(16,154,435)
Administrative expenses		(103,969)	(92,241)	(70,123)	(94,940)	(94,161)	(85,186)	(92,250)
Net change in plan fiduciary net position		63,510,244	61,558,076	73,869,809	(24,527,909)	50,224,934	23,251,917	(3,873,742)
Plan fiduciary net position, beginning		513,638,775	452,080,699	378,210,890	402,738,799	352,513,865	329,261,948	333,135,690
Plan fiduciary net position, ending (b	$	577,149,019	513,638,775	452,080,699	378,210,890	402,738,799	352,513,865	329,261,948
Net pension (asset) liability, ending (a) - (b	$	(46,389,386)	(5,549,601)	41,392,474	85,556,560	39,575,011	63,676,807	66,128,877
Fiduciary net position as a percentage of the total pension liability		108.74%	101.09%	91.61%	81.55%	91.05%	84.70%	83.28%
Covered payroll*	$	67,274,914	66,588,665	63,272,421	62,865,829	62,624,066	61,064,398	63,384,548
Net pension (asset) liability as a percentage of covered payroll		-68.95%	-8.33%	65.42%	136.09%	63.19%	104.28%	104.33%

Notes to Schedule:

Changes to benefit terms and funding terms
2021: The member contribution rate increased from 7.50% to 8.00% of total pay, as scheduled
2020: The member contribution rate increased from 7.00% to 7.50% of total pay, as scheduled
2019: The member contribution rate increased from 6.50% to 7.00% of total pay, as scheduled
2018: The member contribution rate increased from 6.00% to 6.50% of total pay on September 1, 2018 for employees not covered by the collective bargaining agreement, as scheduled.
2016: The member contribution rate increased from 4.88% to 6.00% of total pay, as scheduled.
2015: The member contribution rate increased from 4.32% to 4.88% of total pay, as scheduled.

Changes in actuarial assumptions and methods
1/1/2022 valuation (assumptions used for measuring 12/31/21 total pension liability
1. The investment return assumption was decreased from 6.90% to 6.75%.
2. The price inflation assumption was lowered from 2.60% to 2.50%.
3. The cost of living adjustment assumption was lowered from 2.60% to 2.50%
4. The general wage growth assumption was lowered from 3.50% to 3.40%.
5. The covered payroll increase assumption was lowered from 3.50% to 3.00%.
6. The salary merit scale was adjusted to better reflect actual experience.
7. The mortality assumption was modified by moving to the Pub-2010 General Employees Median Mortality Table, projected generationally using Scale MP-2020.
8. Assumed retirement rates were adjusted to better reflect actual experience.
9. Assumed termination rates were adjusted to better reflect actual experience.

1/1/2020 valuation (assumptions used for measuring 12/31/19 total pension liability
The investment return assumption was decreased from 7.00% to 6.90%.

1/1/2018 valuation (assumptions used for measuring 12/31/17 total pension liability):
1. The investment return assumption was decreased from 7.25% to 7.00%.
2. The price inflation assumption was lowered from 3.10% to 2.60%.
3. The cost of living adjustment assumption was lowered from 3.00% to 2.60%
4. The general wage growth assumption was lowered from 4.00% to 3.50%.
5. The covered payroll increase assumption was lowered from 4.00% to 3.50%.
6. The mortality assumption was modified by moving to the RP-2014 Mortality Table, adjusted to 2006, with a one-year set forward for females and projected
7. Assumed retirement rates were adjusted to better reflect actual experience.
8. Assumed termination rates were adjusted to better reflect actual experience.

* Prior to Fiscal Year ending December 31, 2016, covered payroll represents total payroll of employees provided with pensions through the pension plan. Beginning in Fiscal Year ending December 31, 2016, covered payroll represents compensation to active employees on which the District bases pension plan contributions.

Note: Schedule is intended to show 10-year trend. GASB 68 was adopted in 2015, as such, only seven years are presented. Additional years will be reported as they become available.

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Employer Contributions - Defined Benefit Pension Plan
January 1, 2012 Through December 31, 2021
($ in Thousands)

Fiscal Year Ending December 31	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered* Payroll	Actual Contribution as a % of Covered Payroll
2012	9,231	10,312	(1,081)	51,031	20.21%
2013	8,996	10,300	(1,304)	55,847	18.44%
2014	8,988	10,300	(1,312)	59,332	17.36%
2015	9,956	10,301	(345)	63,385	16.25%
2016	10,215	10,300	(85)	61,064	16.87%
2017	10,273	11,194	(921)	62,624	17.87%
2018	11,198	11,606	(408)	62,866	18.46%
2019	11,270	12,300	(1,030)	63,272	19.44%
2020	11,036	12,300	(1,264)	66,589	18.47%
2021	9,481	11,600	(2,119)	67,275	17.24%

* Prior to Fiscal Year ending December 31, 2016, covered payroll represents total payroll of employees provided with pensions through the pension plan. Beginning in Fiscal Year ending December 31, 2016, covered payroll represents compensation to active employees on which the District bases pension plan contributions.

Notes to Schedule

Valuation date:	January 1, 2021 Actuarially determined contribution is determined in the valuation performed as of January 1 of the year in which contribution is made.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 14 to 23 years (single equivalent amortization period is 25 years)
Asset valuation method	Expected Value + 25% of (market - expected values)
Inflation	2.50%
Salary increases	3.65% to 11.40%, depending on years of service
Long-term investment rate of return	6.75%
Retirement	Service-based table of rates.
Mortality	Pub-2010 Mortality Tables projected generationally using Scale MP-2020.
Cost of living adjustments	2.50% per year

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Annual Money-Weighted Rate of Return on Pension Plan Investments
Fiscal Years ended December 31

Fiscal Year Ending December 31	Annual Money-Weighted Rate of Return
2021	13.7%
2020	14.7%
2019	21.0%
2018	-5.2
2017	15.2
2016	7.9
2015	-0.2

Note: Schedule is intended to show 10-year trend. GASB 68 was adopted in 2015, as such, only seven years are presented. Additional years will be reported as they become available.

METROPOLITAN UTILITIES DISTRICT

Water Department

Schedule of Insurance Coverage

December 31, 2021

(Unaudited)

Coverage	Description	Name of insurer	Deductible or coinsurance amounts	Expiration date
Buildings (including contents)	Fire and extended coverage	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2022
Data Processing Equipment	Equipment, media and extra expense	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2022
Contractors Equipment floater	Construction equipment and communication equipment	Continental Casualty Co.	$40,000 deductible	6-15-2022
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.	$200,000 per loss	2-7-2022

METROPOLITAN UTILITIES DISTRICT

Water Department

Statutory Information Required by Chapter 14,
Section 2145 of the Revised Statutes of Nebraska of 1943

Year ended December 31, 2021

(Unaudited)

Operating revenues, net	$	142,487,197
Thousands of gallons of water supplied to mains		34,171,510
Thousands of gallons of water sold		30,811,555
Maintenance	$	32,573,874
Gross additions to utility plant in service, exclusive of land	$	84,779,189
Land purchased	$	1,577,205
Depreciation charged to operations and other accounts	$	16,484,433
Cost per thousand gallons of water sold (schedule A)	$	3.12
Collected for sale and rent of meters, net	$	354,444
Assessments against property for extension of mains	$	—
Operating expenses (schedule B)	$	88,868,925
Average number of employees for the year		380
Compensation of employees for the year	$	34,195,460
Direct taxes levied against property at request of District for fire protection service (in lieu of hydrant rental)	$	—
All other facts necessary to give an accurate and comprehensive view of the cost of maintaining and operating the plant		—

Schedule A

METROPOLITAN UTILITIES DISTRICT

Water Department

Cost per Thousand Gallons of Water Sold

Year ended December 31, 2021

(Unaudited)

Operating expenses:		
Operations	$	38,855,774
Maintenance		32,573,874
Depreciation		15,456,120
Provision for statutory payments to municipalities		1,983,157
Total operating expenses		88,868,925
Other deductions:		
Interest		7,110,778
Total operating expenses and other deductions	$	95,979,703
Thousands of gallons of water sold		30,811,555
Cost per thousand gallons of water sold	$	3.12

Schedule B

METROPOLITAN UTILITIES DISTRICT

Water Department

Operating Expenses

Year ended December 31, 2021

(Unaudited)

Operating expenses:	
Operations:	
Primary pumping	$ 9,555,191
Purification	11,556,130
Booster pumping	2,728,404
Distribution	9,546,569
Customer accounting	6,813,211
Marketing	719,649
Administrative	(2,063,380)
Total operating	38,855,774
Maintenance:	
Primary pumping	2,790,128
Purification	4,427,421
Booster pumping	1,742,421
Distribution	23,613,904
Total maintenance	32,573,874
Depreciation	15,456,120
Provision for statutory payments to municipalities	1,983,157
Total operating expenses	$ 88,868,925

METROPOLITAN UTILITIES DISTRICT

Gas Department

Schedule of Insurance Coverage

December 31, 2021

(Unaudited)

Coverage	Description	Name of insurer	Deductible or coinsurance amounts	Expiration date
Buildings (including contents)	Fire and extended coverage	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2022
Data Processing Equipment	Equipment, media and extra expense	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2022
Contractors Equipment floater nonowner liability	Construction equipment and communication equipment	Continental Casualty Co.	$40,000 deductible	6-15-2022
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.	$200,000 per loss	2-7-2022
Auto Fleet	Physical damage - specified parts	Amco Insurance, Inc. (Nationwide)	$500 deductible	6-15-2022
Cyber Liability	Privacy, data, and network exposures	AIG Specialty Insurance Company	$150,000 deductible	6-15-2022
LNG plant	LNG plant and contents	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$250,000 deductible	6-15-2022
Propane caverns	Two caverns - special cause of loss, including earthquake and flood	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$250,000 deductible	6-15-2022

METROPOLITAN UTILITIES DISTRICT

Gas Department

Statutory Information Required by Chapter 14,
Section 2145 of the Revised Statutes of Nebraska of 1943

Year ended December 31, 2021

(Unaudited)

Operating revenues, net	$	247,580,792
Dekatherms of gas delivered to mains		31,693,132
Dekatherms of gas sold		31,693,132
Maintenance	$	16,229,650
Gross additions to utility plant in service	$	34,251,957
Depreciation charged to operations and other accounts	$	22,087,766
Cost per thousand cubic feet of gas sold (schedule A)	$	6.36
Collected for sale and rent of meters	$	—
Assessments against property for extension of mains	$	—
Operating expenses (schedule B)	$	199,943,411
Average number of employees for the year		447
Compensation of employees for the year	$	40,178,549
Direct taxes levied against property at request of District	$	—
All other facts necessary to give an accurate and comprehensive view of the cost of maintaining and operating the plant		—

Schedule A

METROPOLITAN UTILITIES DISTRICT

Gas Department

Cost per Thousand Cubic Feet of Gas Sold

Year ended December 31, 2021

(Unaudited)

Operating expenses:		
Natural gas	$	140,342,276
Operations		21,336,108
Maintenance		16,229,650
Depreciation		18,240,248
Provision for statutory payments to municipalities		3,795,129
Total operating expenses	$	199,943,411
Other deductions:		
Interest		1,024,954
Total operating expenses and other deductions	$	200,968,365
Thousands of cubic feet of gas sold		31,606,257
Cost per thousand cubic feet of gas sold	$	6.36

Schedule B

METROPOLITAN UTILITIES DISTRICT

Gas Department

Operating Expenses

Year ended December 31, 2021

(Unaudited)

Operating expenses:		
Natural gas	$	140,342,276
Operations:		
Production		5,617,941
Distribution		12,544,255
Customer accounting and collecting		9,577,243
Marketing		1,221,350
Administrative		(7,624,681)
Total operations		21,336,108
Maintenance:		
Production		2,758,427
Distribution		13,471,223
Total maintenance		16,229,650
Depreciation		18,240,248
Provision for statutory payments to municipalities		3,795,129
Total operating expenses	$	199,943,411

METROPOLITAN UTILITIES DISTRICT

Statistical Highlights

Years ended December 31, 2021, 2020, and 2019

(Unaudited)

Water Department		2021	2020	2019
Number of customers (December)		222,715	220,625	218,116
Sales (thousand gallons)		30,811,555	31,021,093	27,746,974
Operating revenues, net	$	142,487,197	139,949,533	121,260,962
Operating expenses		88,868,925	87,663,411	92,350,493
Operating income	$	53,618,272	52,286,122	28,910,469
Plant additions and replacements, net	$	53,156,411	70,435,790	49,545,081
Plant in service		1,285,258,123	1,202,896,350	1,159,933,052
Miles of mains		3,110	3,027	2,985
Average daily pumpage (thousand gallons)		93,421	93,124	82,482
Gas Department				
Number of customers (December)		237,834	235,485	232,769
Sales (DTH):				
Firm		26,773,756	28,139,754	30,853,007
Interruptible		4,919,376	4,208,187	5,366,081
Total		31,693,132	32,347,941	36,219,088
Operating revenues, net	$	247,580,792	189,949,801	223,266,292
Cost of gas sold		140,342,276	87,036,070	114,501,720
Other operating expenses		59,601,135	61,064,036	69,889,570
Operating income	$	47,637,381	41,849,695	38,875,002
Plant additions and replacements, net	$	48,996,092	46,219,693	44,073,867
Plant in service		694,206,264	667,921,516	631,065,357
Miles of mains		2,931	2,896	2,866
Average daily sendout (DTH)		91,107	91,011	102,140
Number of active employees – water and gas combined		823	815	817

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METROPOLITAN
UTILITIES DISTRICT