METROPOLITAN
UTILITIES DISTRICT

2017 Annual Report

About Us

Metropolitan Utilities District is the only metropolitan utility district in the State of Nebraska. We are a public utility and proud to be customer-owned. Our mission is to provide safe, reliable and cost-effective natural gas and water services to our community.

The District is governed by a board of seven directors, elected by our customer-owners. The board meets the first Wednesday of every month. We have more than 800 employees who live and work in the communities we serve.

As the fifth largest public gas utility in the United States, we provide a product and service at rates that are lower than area investor-owned utilities and among the lowest in the Midwest. We serve natural gas to 229,365 customers in Omaha, Bennington, Fort Calhoun, Springfield, Yutan and Bellevue.

We also provide safe drinking water to 214,142 customers in Omaha, Bellevue, Bennington, Carter Lake, La Vista, Ralston, Waterloo and the Papio-Missouri Natural Resources District (which supplies water to Fort Calhoun). Our water meets or exceeds all state and federal standards for drinking water.

Our Mission

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

The District owns and operates three water treatment facilities and an extensive water distribution system that is capable of supplying potable water in excess of 300 million gallons per day. We also maintain 27,275 hydrants for fire protection.

In addition to providing natural gas and water to customers in the metro area, we provide a cost-saving service to municipalities by serving as a billing agent for sewer use and trash fees.

Our History

The Nebraska Legislature created the Metropolitan Utilities District in the early 1900s as a political subdivision of the State to provide water and natural gas to the metropolitan Omaha area.

Our first water treatment plant was built near the Missouri River in 1889 by a private company. Omaha received water and gas service from private water and gas companies until the citizens of Omaha became dissatisfied with high costs, constant ownership changes and poor service, and voted to take control and ownership of their utilities. The Legislature created the Metropolitan Water District in 1913.

Five years later, state senators authorized the City of Omaha, which had acquired the gas system by condemnation, to assign the responsibility for operation of the gas system to the Metropolitan Water District. The name was changed to the Metropolitan Utilities District on March 3, 1921.

Cover photo: Construction employees Scott Hubbard and Luke Colbert work on a natural gas infrastructure replacement project. In 2017, we replaced more than 40 miles of old cast iron gas main.

Right: Vice-President of Human Resources Bonnie Savine shows students during a "Careers in Energy" activity how the District processes raw water into safe drinking water.


ENERGY
Cultivating an Interest in STEM
RAW WATER
Bonnie
MUD
Purell

Board of Directors

David J. Friend
Subdistrict 2
Chairperson
Elected 2000; re-elected 2006, 2012 (18 years)

Tim Cavanaugh
Subdistrict 4
Vice-Chairperson
Chief Deputy, Douglas Co. Treasurer's Office; retired Captain, Omaha Police Dept.; appointed 1999; elected 2002; re-elected 2008, 2014 (19 years)

James P. Begley
Subdistrict 1
Compensation Manager, City of Omaha; elected 2012 (6 years)

Thomas F. Dowd
Subdistrict 5
Senior Partner, Dowd, Howard & Corrigan; elected 1974; re-elected 1980, 1986, 1996, 2002, 2008, 2014 (40 years)

Jack A. Frost
Subdistrict 7
Retired, Real Estate; elected 1986; re-elected 1992, 1998, 2004, 2010, 2016 (32 years)

Gwen Howard
Subdistrict 3
Retired Social Worker; Former Nebraska State Senator (2005-2013); elected 2014 (4 years)

Mike McGowan
Subdistrict 6
Retired natural gas executive; appointed 2010; elected 2016 (4 years)

Senior Management

Mark E. Doyle
President and Secretary
1992; Named president April 6, 2018

Steven Ausdemore
Senior Vice-President
Safety, Security & Field Operations
2016

Mark Mendenhall
Senior Vice-President
General Counsel
2013

Ronald Reisner
Senior Vice-President
Chief Operations Officer
1981

Debra Schneider
Senior Vice-President
Chief Financial Officer
2011

Raied Stanley
Senior Vice-President
Chief Information Officer
2009

Report Contents

Statistical Highlights

Years ended December 31, 2017, 2016 and 2015 (unaudited)

	2017	2016	2015
Water Department			
Number of customers (December)	214,142	211,623	208,256
Sales (thousand gallons)	30,058,950	28,723,062	25,134,223
Operating revenues, net	$ 122,328,186	$ 115,094,626	$ 102,963,900
Operating expenses	92,744,154	89,849,791	88,877,125
Operating Income	$ 29,584,032	$ 25,244,835	$ 14,086,775
Plant additions and replacements, net	$ 41, 097,383	$ 38,374,929	$ 37,549,194
Plant in service	$ 1,093,314,388	$ 1,041,651,111	$ 1,007,463,820
Miles of mains	2,928	2,904	2,895
Average daily pumpage (thousand gallons)	91,269	87,493	83,482
Gas Department			
Number of customers (December)	229,365	227,106	224,950
Sales (Dth):			
Firm	25,483,606	23,534,665	25,229,966
Interruptible	4,013,805	4,801,423	4,555,247
Total	29,497,411	28,336,088	29,785,213
Operating revenues, net	$ 203,679,638	$ 176,613,598	$ 195,979,840
Cost of gas sold	106,365,860	88,543,519	102,977,002
Other operating expenses	$ 75,003,512	$ 74,729,471	73,128,107
Operating income	$ 22,310,266	$ 13,340,608	$ 19,874,731
Plant additions and replacements, net	$ 39,309,642	$ 41,107,268	$ 34,690,608
Plant in service	$ 597,112,263	$ 568,791,785	$ 534,712,204
Miles of mains	2,832	2,807	2,798
Average daily sendout (Dth)	72,022	77,924	81,580
Number of active employees, water and gas combined	831	852	868

Core Values

Safety

Safety is at the core of what we do. All of our actions must contribute to a safe environment so that our employees and customers can fully enjoy their lives. We will not compromise the safety of our employees or the safety of our community.

Integrity

We proudly uphold our values and ethics in everything that we do. We celebrate those that have the courage to make difficult decisions while furthering us toward our strategic vision.

Accountability/Transparency

We believe that our actions speak for our success. We take full ownership of our actions and will communicate our progress so that we can be judged fairly on our outcomes.

Reliability/Stability

We are all stewards of the District and take pride in our history of safe, reliable gas and water service. We will responsibly allocate and spend the resources and time given to us and are committed to protecting our company's resources and reputation.

Customer Focus

We are a service first organization. Every job, project, task, or strategic goal ultimately helps us to better serve our customers. We understand that both internal and external customers must be treated with respect, diligence, and exceptional customer service.

Teamwork/Collaboration

Regardless of ownership, employees will work together to seek innovative ways to meet our goals. Only through respect, shared persistence, and close collaboration will we be truly successful in achieving our mission.

Right: Customer Accounting Manager Dylies King and Customer Service Manager Julie Thacker join gas safety mascot Sniffasaurus at the Heat the Streets Run & Walk for Warmth. The event celebrated its 10th anniversary in 2017, raising more than $100,000 for energy assistance programs.


THE NORTH FACE
SNIFFASAUR

Financial Stability Measures

Debt Service Coverage

The District continues to be in compliance with water revenue bond debt service requirements:

	2017	2016
Debt Service Coverage Ratios	3.17x	3.02x
Debt Service Coverage Requirements	1.20x	1.20x

Cash Reserves

Days cash on hand as of December 31 was as follows:

	2017	2016
Gas Department	215 days	249 days
Water Department	357 days	235 days

Credit Rating

Moody's Investor Service upgraded the Water Department credit rating during 2017, while Standard & Poor's rating remained unchanged:

	2017	2016
M.U.D. Water Revenue Bonds - Moody's Investor Service	Aa2	A1
M.U.D. Water Revenue Bonds - Standard & Poor's	AA-	AA-

Pension Funding

Pension plan funding continues to increase:

	2017	2016
Funded Ratio *(Actuarial Value of Assets/Actuarial Liability)*	88%	87%

Other Post-Employment Benefits (OPEB) Funding

Increased funding of OPEB in 2017:

	2017	2016
Annual Contributions to OPEB *($ in millions)*	$11.0	$8.2
OPEB Actuarial Required Contribution - % Contributed	66%	46%

Report to Customer-Owners

In 2017, we at Metropolitan Utilities District remained committed to our mission of providing safe, reliable and cost-effective natural gas and water services to our community. We made significant progress toward our industry-leading goals, particularly in the areas of employee and public safety, reliability, business continuity and customer experience. And, our team of employees stepped up to the challenge of continued performance improvement, embracing updated policies, processes, tools and equipment.

We are especially proud of our top quartile performance in responding to emergency natural gas leaks with an average response time of 21.4 minutes in 2017. This is the time it takes from receiving the customer's call to arriving at their home or business. Since 2014 we shaved off nearly 10 minutes through investments in technology - global positioning and dispatching software tools - to greatly improve our performance.

This is just one example of how updating one process can positively impact all of our vision categories - safety, reliability, customer experience, efficiency, regulatory compliance and financial stability. Throughout this report we will showcase our progress in all of these areas.

Financial Stability

We continued to see a positive trend in financial stability, driven by our five critical factors: 1) Provide our customers with affordable gas and water service; 2) Sustain reinvestment in our infrastructure; 3) Properly fund promises to our employees; 4) Maintain debt service coverage, and 5) Maintain adequate cash reserves.

The highlight was an upgraded bond rating from Moody's Investors Service. Citing our "strengthened financial position and growing service area," Moody's upgraded our water system bond rating two notches to "Aa2" with a "stable outlook." The District was previously rated "A1" by the rating agency.

The upgrade validated the sound fiscal policies the District's Board of Directors and its staff worked hard to develop and implement. Specifically, our focus on improving liquidity, meeting debt service coverage requirements, maintaining a moderate debt burden and rigorous expense management contributed to an improved financial condition. We continue to responsibly invest in infrastructure to ensure safe, reliable and cost-effective service to our customers.

Moody's upgraded our water system bond rating two notches to "Aa2" with a "stable outlook."

Providing our customers with affordable gas and water service: To help measure affordability, we compare ourselves to approximately 40 other utilities included in the annual Memphis Gas, Light and Water bill comparison report. Our gas rates remain well below the national and Midwestern averages; ranking seventh lowest as measured by the average residential gas bill in 2017 and fourth lowest in 2018.

Contributing factors for lower gas bills include the Central Plains Energy Project (CPEP) and a competitively priced natural gas transportation contract with Northern Natural Gas. We recently refinanced one of our CPEP prepay agreements with great results for our customers. The transaction will increase savings to our customers by $77 million from 2022 through 2038. In 2017, CPEP saved our customers $5 million.

We also expanded our prepay gas portfolio through a 30-year gas supply agreement with Tennessee Energy Acquisition Corporation. Over the first five years, the District will achieve a total savings of $1.4 million below market prices.

On the water side of the business, our rates trended mid-range nationally and regionally, ranking 20th in 2017 and 15th in 2018. Our challenges include continuing our water cast iron (CI) pipe replacement program, coupled with the ongoing capital improvement plan at our Florence Water Treatment Plant, while maintaining affordable water rates. To improve our level of affordability we will focus on efficiency gains through continuous business process improvement and increasing water sales through expanded economic development efforts.

We spent $38.9 million to improve our gas and water pipe infrastructure.

Sustainable reinvestment in our infrastructure: We spent $38.9 million in 2017 to improve our gas and water pipe infrastructure. On the gas side we reached our accelerated target of abandoning 40 miles of CI mains and on the water side we met our goal of abandoning 11 miles of CI mains. We invested $11.2 million in capital improvement projects at the Florence Plant, including the renovation of the Minne Lusa Pump Station, which is expected to be completed in 2018.

Proper funding of our promises to our employees: We adopted a more conservative set of assumptions for both our retirement plan and other post-employment benefits (OPEB) trust fund in 2017,

As part of the Florence Capital Improvement Plan we began renovation of the Minne Lusa Pump Station, which is expected to be completed in 2018.

lowering the long-term return assumption from 7.25 to 7.0 percent. The pension fund is in sound financial condition. As of December 31, 2017, the retirement plan had assets of $402.7 million, representing an actuarial-funded ratio of 88 percent, compared to 87 percent in 2016. In 2017, the District contributed $7 million to the OPEB trust fund, and budgeted funding in 2018 will be 94 percent of the annual required contribution.

The retirement plan had assets of $402.7 million, an actuarial-funded ratio of 88%.

Maintaining debt service coverage: The District remained in compliance with the water bond debt coverage covenants. Our debt service coverage ratio was 3.17 in 2017 (the required coverage ratio was 1.20) which was a primary factor in being upgraded from A1 to Aa2 from Moody's Investors Service. Standard & Poor's rating remained unchanged in 2017, having been upgraded to AA- in 2016.

Maintaining adequate cash reserves: Our cash reserves remained strong for both the gas and water companies. At year-end, the gas company had 215 days cash on hand and the water company had 357 days cash on hand, exceeding our internal goal of 180 days, an amount equal to six months of operating expenses.

In the area of financial stability, raising our long-term growth trend is a priority. We have made substantial investments in water plant capacity and are well-positioned for additional customers throughout our system.

One promising area for customer growth is the potential to serve as a second water supply to the Lincoln Water System (LWS). The District and LWS hired HDR Engineering to conduct a feasibility study of a water main interconnection between the two systems. Results of the study are expected in late 2018.

In addition to growth, we plan to accelerate the rate at which we replace CI water mains in our system. We will employ predictive analytics and explore other concepts to reduce water main breaks and the disruptions they cause in our community. Overall, we will be working hard to improve your customer experience.

With the announcement of several retirements, we focused on succession planning for a smooth transition and filled key positions at the senior management and vice-president levels. The District's President Mark Doyle was promoted from Chief Information Officer in April 2018, succeeding Scott Keep who retired with 38 years of service to the District and its customer-owners. Through the many changes our employees have remained engaged and enthused. The board and management are confident that our employees have the talent, tools and drive to make this an even better utility.

We welcome your input and interest in learning more about your customer-owned utility. Our website, mudomaha.com, has a wealth of information. We encourage you to follow our social media channels - Twitter, Facebook and YouTube -- for alerts, news, videos and helpful tips.

Our board meetings are open to the public. The board meets the first Wednesday of the month at our downtown headquarters at 1723 Harney Street. We also livestream all of the committee and regular meetings on the internet. Visit our website for more information, including meeting documents and archived video recordings. Thank you.

Mark E. Doyle

Mark E. Doyle, President

David J. Friend

David Friend, Board Chair

Safety

We focused on safety, emergency management and business continuity, making significant gains in 2017.

Employee Safety

Employee safety, health and welfare is our primary mission, with the goal that everyone goes home safely every day. In 2017 we achieved a record low for workplace injuries through strategies designed to raise awareness and ensure compliance and accountability in all safety matters.

We had fewer total vehicle accidents than the previous year and continue to focus on eliminating preventable causes of accidents. We created procedures to increase driver safety and reduce accidents. For example, we developed a vehicle operator policy that enhanced awareness when parking and backing vehicles. Employees now place a safety cone outside their vehicle and perform a "walk around" inspection to ensure clearance. In the event of a preventable vehicle accident, the driver participates in a driver training system designed to prevent recurrence.

We modified or created other policies, including personal protective equipment, high visibility apparel and a GPS driving policy to guide continual driving performance improvement. We partnered with the City of Omaha on traffic safety and provided portable rumble strips to our crews working in the streets. In addition, we worked with the American Gas Association to define best practices for gas operations, lone worker safety, evacuations and gas emergency response.

Our security team completed a District-wide safety and security assessment, implemented a new visible ID card policy and conducted active killer awareness training with all of our employees. We also selected a new security guard contractor for all of the District's properties.

Public Safety and Emergency Management

To improve public safety, we reviewed our emergency response procedures and made many improvements. We adopted and expanded the incident command system, created an emergency and incident management team and implemented technology to improve communications. We expanded emergency response training among our employees and began conducting simulations and drills on a regular basis.

We participated in joint training events with more than 150 participants from local fire departments. Through cooperation with our community public safety partners - fire department, law enforcement, emergency management and utility partners - we integrated and aligned our response strategies more closely with these agencies to improve outcomes and increase overall safety for our employees and the public.

Above: District employees and more than 150 members of local fire departments participate in a joint training event.

Left: Employees perform hazardous material training at one of the District's water treatment facilities.

Business Continuity

In 2017, we hired our first-ever Emergency Planner and Business Continuity Manager to introduce a robust business continuity program. With the help of leaders from every area of the District, we completed a comprehensive risk assessment, a business impact analysis and developed a business continuity strategy. Business continuity strategies were coordinated, and are aligned, with incident response activities of the District and our public safety partner agencies.

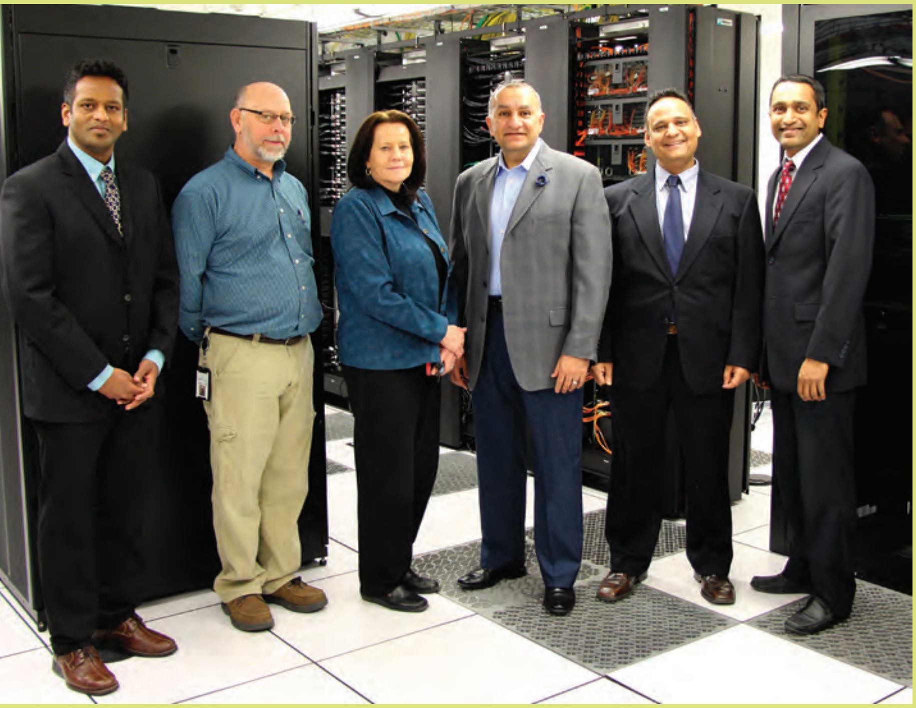
The goal of the plan is to minimize the impact on our customers, the community and the District if an interruption in business should occur and reduce dependencies on any one person or area of the District. The goal in 2018 is to implement the plan with focus on ongoing training, conducting exercises and assessing risks. We are actively participating on area, regional and state emergency planning and response committees.

Reliability

Reliability is essential to our mission of providing safe, high quality water and natural gas to our customers 24 hours a day, seven days a week. We have ample water supplies with three sources and three water treatment plants forming our "Triangle of Reliability." In our gas operations, we have multiple delivery points on the Northern Natural Gas system and we operate three peak-shaving plants. We have designed reliability into our gas and water distribution systems and we have highly reliable information technology (IT) systems that are vital to our operations.

Data Center Migration Project

To further increase the level of reliability with our IT systems, our team successfully moved our data center to a private cloud at First National Technology Solutions, completing the transition in less than a year. Overall, the migration project realized more than $3 million in savings in 2017 by avoiding costs associated with storage replacement. The move also was a major step in improving the continuity of our IT operations.



Infrastructure Replacement Program

Our infrastructure replacement programs are critical to maintaining the reliability of our distribution systems and continued to be a major focus for the District. In 2017, we reached our targets - abandoning 40 miles of cast iron (CI) gas mains and replacing 5,350 gas services, and abandoning 11 miles of CI water mains.

We have replaced approximately 240 total miles of CI gas mains since 2008 and are seeing the positive effect on reducing the rate of gas main breaks. However, on the water side we need to accelerate our replacement rate and strive to replace 25 to 30 miles of CI water main per year.

Above: Leaders in the data center migration project included, from left: Dhana Mahalingam, Joe Dennick, Debbie Fenn, CIO Raied Stanley, Sumit Mathur and Jinson Pappalil. They moved our data center to a private cloud to enhance IT reliability.

Right: From left, Construction employees Matt Shere and Joe Thiessen at a gas infrastructure replacement project site.


Presidents
States
until
baby
young
Goal Buddy

Water and Gas Facility Updates

We stayed on schedule with our 20-year, $184 million Florence Capital Improvement Plan. We are nearing completion on the renovation of the Minne Lusa high service pump station and are in the initial stages of updating the chemical building. These improvements are being made for various reasons, including regulatory, performance, water quality and condition.

Last year we replaced one of our two boil-off compressors at our liquefied natural gas (LNG) plant. The second compressor was replaced in the first quarter of 2018. The new compressors provide 100-percent redundancy as only one of the two compressors will be required to run at any given time. Previously, plant conditions required the use of both compressors at the same time.

Recent upgrades to our gas distribution system ensure safe and reliable service to our customers. Gas pressure monitoring sites across the community were converted to solar-powered recording through our supervisory control and data acquisition (SCADA) system. What used to require two employees conducting site visits has transitioned into an instant transmission of information. Reports come into SCADA four times a day and the system is monitored 24/7. Any shift in pressure that is recognized as abnormal can be acted upon immediately.

Replacing cast iron gas and water mains, as well as upgrades to our water treatment plants and gas pressure monitoring system, ensures long-term safety and reliability of our systems for our customers.

Customer Experience

We made great progress with our customer experience initiatives in 2017. We spent time defining our customer service expectations and launched a company-wide plan to improve the customer experience. We developed a new vision statement of “Get it right the first time - Always! Excellence, Accuracy, Timeliness.”

We conducted a baseline customer satisfaction survey which indicated that 83 percent of customers are either very satisfied or somewhat satisfied with our performance. Although these are fairly strong results, we are striving to do better. We began an employee training program on customer service and communications that will be expanded company-wide.

A customer experience committee, comprised of employees from across the District, was formed to analyze customer feedback, map out the customer journey and participate in other improvement initiatives.

Above: Customer Experience Committee members include, standing, from left: Frank Pyzdek, Jim Horan, Mike Hall, Steve Glup, Wanda Fry, John Wheeler, Dave Smith, Todd England, Dave Stroebele, Dave Bellairs, Ann Boesen and Vice-President of Customer Services Stephanie Mueller. Seated, from left: Laura McCoy, Ja’Nelle Traylor, Megan Wasley, Katie Matejka and Anna Bennett.

Left: Customer Service Supervisor Debbie Gardner congratulates a Miller Park Elementary School student for reaching his academic goals as part of the Partnership 4 Kids “Goal Buddies” mentoring program.

In 2017, we introduced two-hour appointment windows for customers and achieved our goal of operating above a 90-percent adherence level. Our call center staff consistently achieved a 95-percent call answer rate and wait times were less than two minutes. We began outbound call campaigns to remind customers about past due bills, resulting in many customers making a payment after the call and reducing the number of our trucks sent out to disconnect services. These calls save time and money and are generally appreciated by our customers.

We introduced two-hour appointment windows and achieved our goal of operating above a 90-percent adherence level.

We began accepting recurring electronic check payments via our website and we initiated online applications for contractors. More than 500 contractors registered, submitting nearly 9,800 applications and paying more than $7 million in total fees.

Community Engagement

In 2017, many of our employees volunteered for community organizations and participated in other customer engagement activities. We again supported the Partnership 4 Kids mentoring program, with 21 of our employees volunteering as group mentors, goal buddies and book buddies.

Our employees and their families participated in the 10th annual Heat the Streets Run & Walk for Warmth. Since 2008, the event has raised more than $1 million for energy assistance programs to help low-income customers. Employees and retirees participated in the United Way of the Midlands' annual drive, donating nearly $100,000 to support local community programs.

As part of our sustainability efforts, a team of District employees organized the first-ever "Shred Fest," a document shredding and electronics recycling event in collaboration with the University of Nebraska Omaha.

Members of our Employee Speakers Bureau gave 112 presentations on gas and water topics for schools, civic organizations and community events, reaching nearly 150,000 customers.

Above: Our United Way Drive employee committee drops off donated toiletry items for the Siena Francis homeless shelter, from left: Chuck Jacobsen, Heather Casey, Dylies King, Joe O'Connell, Jim Dorsey and Candice Shockley.

Top right: Carrie Hunter, Sarah Jones and DataShield representative Nick Robison at a document shredding event the District coordinated with the University of Nebraska at Omaha. An estimated 400 pounds of paper was shredded.

Right: Lean Six Sigma green belt graduates were recognized at Creighton University. From left: President Mark Doyle, Jason Stanek, Marc Willis, CFO Deb Schneider, Masa Niiya, Anna Bennett, Jeremy Bach, Katie Matejka, Mark Myers, Tommy Acers, Shalon Buffum, Geneva Patterson, Mike Hall and Jon Zellars.

Efficiency

Lean Six Sigma and Business Process Improvement (BPI)

Efficiency requires a company-wide effort and our initiatives in 2017 included training more employees on the principles of Lean Six Sigma through our partnership with Creighton University. We trained 35 yellow belts in 2017 for a total of 111 company-wide. In addition, 18 of our yellow belts became certified for a total of 67 certifications across the District.

We had a class of 12 employees take the next step to become green belts and they have already begun working on projects to improve our business processes. We completed several BPI projects and identified more than $5.6 million in potential annual savings. Over time, the savings we have achieved are impacting our bottom line.

Our Key Performance Indicators showed improvement in 2017, with the cost of total customer service down and moving to the median level as compared with our peer group.

Our operating and maintenance (O&M) expense per gas customer trended down and we expect further improvement as we continue to replace CI gas pipes. Our O&M for water also was down in 2017, despite increased costs due to water main breaks.

Compressed Natural Gas (CNG)

The District remained focused on growing the market for compressed natural gas vehicles for local fleets. In 2017, United Parcel Service (UPS) built a $3.5 million CNG station on their property and 40 UPS semi-trucks run on CNG.

In 2017, the total amount of CNG used by all fleet customers equated to the gas used annually in 1,600 residential homes.

They also have plans to transition their local delivery vans to natural gas as they are replaced. UPS became a top 10 gas customer for the District, doubling our CNG load growth. In 2017, the total amount of CNG used by all fleet customers equated to the amount of gas used annually in 1,600 residential homes.

Our venture into CNG also has proven to have a positive environmental impact for the metro Omaha area. Over the past seven years, more than 4.3 million gasoline gallon equivalents have been dispensed, over 100,000 barrels of oil were displaced and more than 10,500 tons of carbon dioxide was reduced.

Regulatory Compliance

Regulatory compliance is a critical element of our performance and we devoted considerable resources to follow a large number of regulations. Our Regulatory Compliance Manager made great progress in the development of a regulatory monitoring system to manage current and new regulations.

Our regulatory performance in 2017 was very good and we maintained compliance in all of our gas and water regulations. Of note, the Department of Homeland Security conducted a Chemical Facility Anti-Terrorism Standards inspection in which we exceeded all standards and achieved 100-percent compliance.

Our priorities included several initiatives, including implementation of the new gas excess flow valve rule. We also implemented a new lead water service strategy and continued to work with the Nebraska Department of Environmental Quality on a new discharge permit for the Platte South Water Treatment Plant.

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Right: Business Development Specialist Kyle Bowman with one of 40 compressed natural gas (CNG) semi trucks purchased by United Parcel Service (UPS) for its Omaha fleet. UPS built a $3.5 million CNG fueling station on their property. UPS is a top 10 gas customer for the District, doubling our CNG load growth.


ups
CNG
Compressed Natural Gas Vehicle
USDOT 021800

Financials

METROPOLITAN UTILITIES DISTRICT

Financial Statements and Supplemental Schedules

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

METROPOLITAN UTILITIES DISTRICT

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Independent Auditor's Report

Board of Directors
Metropolitan Utilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the fiduciary fund type of the Metropolitan Utilities District (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the 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 fiduciary fund type of the District, as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Note 8, the District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The effect of this adoption of this standard was additional note disclosures and required supplementary information about the District's other postemployment benefit plan. Our opinion is not modified with respect to this matter.

Other Matters
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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

Omaha, Nebraska
March 26, 2018

METROPOLITAN UTILITIES DISTRICT

Management's Discussion and Analysis

December 31, 2017 and 2016

"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, 2017 and 2016. 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 19.

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

	2017		2016		2015	
Sales, volume sold – DTH:		%		%		%
Firm gas sales	25,483,606	86	23,534,665	83	25,229,966	85
Interruptible gas sales	4,013,805	14	4,801,423	17	4,555,247	15
Total gas sales	29,497,411	100	28,336,088	100	29,785,213	100
Heating degree days	5,208		5,032		5,555	
Customers (at December 31):						
Firm customers	229,342		227,081		224,925	
Interruptible customers	23		25		25	
	229,365		227,106		224,950	

Gas volumes sold in 2017 increased 1,161,323 DTH, or 4.1% from 2016 due to colder winter weather, as evidenced by the 3.5% increase in the number of degree days. There was an increase in firm gas customers in 2017 of 2,261 or 1%; the number of interruptible customers dropped by 2, from 25 to 23.

Gas volumes sold in 2016 decreased 1,449,125 DTH, or 4.9%, from 2015 due to warmer winter weather, as evidenced by the 9.4% decrease in the number of degree days. There was an increase in firm gas customers in 2016 of 2,156, or 1.0%; there was no change in the number of interruptible customers.

Gas Department Summary of Results of Operations

	2017		2016		2015	
Operating revenues:						
Firm and interruptible gas sales	$ 186,381,676	92%	$ 159,767,301	91%	$ 178,917,603	91%
Infrastructure charge	12,983,793	6	12,959,695	7	12,640,132	6
Other	4,727,757	2	4,376,036	2	5,319,888	3
Less bad debt expense	(413,588)	—	(489,434)	—	(897,783)	—
Total operating revenues, net	203,679,638	100%	176,613,598	100%	195,979,840	100%
Operating expenses:						
Cost of natural gas	106,365,860	59%	88,543,519	49%	102,977,022	63%
Other operating expenses	75,003,512	41	74,729,471	41	73,128,107	45
Total operating expenses	181,369,372	100%	163,272,990	90%	176,105,129	108%
Nonoperating revenues (expenses), net	(190,809)		(253,567)		(1,331,137)	
Change in net position	22,119,457		13,087,041		18,543,574	
Net position, beginning of year (as restated for 2015)	337,157,813		324,070,772		305,527,178	
Net position, end of year	$ 359,277,270		$ 337,157,813		$ 324,070,752	

Revenues for gas sales, net, were up 15.3% in 2017 vs. 2016, due to a 4.1% increase in volumes coupled with increased gas costs. Revenues from gas sales, net, were down 9.9% in 2016 vs. 2015, due to a 4.9% reduction in volumes, coupled with decreased gas costs. The annual revenues for the average residential gas customer were $568.25 in 2017 as compared to $510.35 in 2016 and to $573.06 in 2015.

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 2017 were up by $18.1 million or 11.1% from 2017. In 2017, the cost of natural gas was $17.8 million, or 20.1% greater than 2016, due to increased gas cost ($14.1 million), and increased volumes ($3.7 million). In 2017, other operating expenses were $.3 million, or .4%, higher than 2016 due primarily to: increased depreciation and amortization expense, increased gas service reconnect expense (associated with ongoing cast iron main replacement program) and increased statutory payments attributed to higher revenues, partially offset by reduced Administrative and General expenses. The year-over-year reduction in Administrative and General expense is due primarily to costs incurred in 2016 related to manufactured gas plant remediation efforts; the clean-up was completed in 2016. Total operating expenses in 2016 were down by $12.8 million or 7.3% from

2015. In 2016, the cost of natural gas was $14.4 million, or 14.0% less than in 2015, due to decreased gas cost ($9.3 million), and lower volumes ($5.1 million). In 2016, other operating expenses were $1.6 million, or 2.2% higher than 2015 due primarily to increased depreciation and amortization expense, increased Administrative and General expenses associated with additional manufactured gas plant remediation costs, partially offset by decreased Production operating and maintenance expenses, net, and lower statutory payments attributed to lower revenues.

Non-operating expenses pertain primarily to losses associated with asset retirements or write-offs; 2017's loss was immaterial, and was slightly lower than the amount incurred in 2016. Non-operating expenses in 2016 decreased by $1.1 million due primarily to the 2015 write-off of mobile radio-related assets associated with the early termination of the contract with a third party provider; the early termination enabled the District to avoid substantial equipment replacement costs as well as the annual maintenance fee of $.3 million.

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 a 20-year gas purchase agreement entered into with CPEP in 2007 (CPEP #1) and two 30-year gas purchase agreements, one entered into in 2009 (CPEP #2) and the other in 2012 (CPEP #3). Terms of the 2007 gas supply agreement (CPEP #1) were renegotiated in 2009 and again in 2012; the gas flows under this agreement will now expire on October 31, 2020. In 2017, the aforementioned prepaid gas purchase agreements accounted for approximately 41% of the District's annual natural gas requirements.

In January 2014, Royal Bank of Canada (RBC) filed a lawsuit in U.S. District Court in Omaha to terminate its 30-year obligation to deliver gas pursuant to CPEP #2, which originated in August 2009. The CPEP #2 supply agreement accounts for approximately 15% of the District's annual gas requirements. RBC asserted that a change in international bank regulations relative to a requirement to maintain increased reserves against prospective losses related to the CPEP deal, served as a "triggering event" to terminate the supply agreement. CPEP disputed RBC's position, and a countersuit was subsequently filed. On December 1, 2014, this matter was resolved; the renegotiation 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 will be 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, the remaining duration of the contract. It should be noted that the aforementioned $12.5 million up-front proceeds were restricted, in that they were to be spent on capital projects within three years from the closing date of December 1, 2014. During 2015, $5.4 million was spent on qualifying projects, while the remaining $7.1 million of the $12.5 million up-front proceeds was spent on qualifying capital projects during 2016.

In December 2017, CPEP closed on an advanced refunding transaction of the CPEP #3 2012 bonds. This transaction will result in increased contractual discounts from market prices, resulting in reduced gas costs of approximately $159 million over the 2022-2042 time period, an increase of $77 million from the original transaction that was completed in 2012. Additionally, during the fourth quarter, 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 will commence 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. At the conclusion of 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.

Gas Department Summary Financial Position

	2017	2016	2015
Plant in service, net	$ 417,087,906	$ 397,281,159	$ 376,642,587
Noncurrent assets	631,799	1,085,204	8,376,751
Current assets	142,963,446	147,272,047	142,173,607
Total assets	560,683,151	545,638,410	527,192,945
Deferred outflows of resources			
Pension amounts	4,050,289	7,243,680	10,775,819
Total assets and deferred outflows of resources	$ 564,733,440	$ 552,882,090	$ 537,968,764
Deferred inflows of resources			
Pension amounts	$ 10,554,908	$ 738,615	$ -
Contributions in aid of construction	41,267,726	41,682,356	42,122,389
Total deferred inflows of	51,822,634	42,420,971	42,122,389
Current liabilities	58,557,128	64,551,837	63,874,127
Noncurrent liabilities	95,076,408	108,751,469	107,901,476
Total liabilities	153,633,536	173,303,306	171,775,603
Net position			
Net investment in capital assets	375,101,336	354,652,000	333,351,210
Unrestricted	(15,824,066)	(17,494,187)	(9,280,438)
Total net position	359,277,270	337,157,813	324,070,772
Total liabilities, deferred inflows of resources, and net position	$ 564,733,440	$ 552,882,090	$ 537,968,764

Gas Department Long-Term Debt Activity

Debt totaled $718,844 and $946,803 in the Gas Department at December 31, 2017 and 2016, respectively, which relates to a low-interest loan obtained from the Nebraska Energy Office and its lending partner; the loan matures December 15, 2020 and the interest rate is fixed at 2.5% per annum.

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 318 miles, over the next ten years; the District expended $19.7 million to improve infrastructure and replace cast iron gas mains in 2017 and $16.3 million in 2016. Significant projects in 2017 and 2016 are as follows:

In 2017, capital and construction-related costs totaled $39.3 million, consisting of:

1) infrastructure replacement $19.7 million (discussed above);
2) other gas mains and distribution $12.0 million;
3) buildings, land and equipment $3.1 million;
4) information technology-related $1.9 million;
5) vehicles, equipment and all other general plant $2.6 million.

In 2016, capital and construction-related costs totaled $41.1 million, consisting of:

1) infrastructure replacement $16.3 million (discussed above);
2) other gas mains and distribution $12.3 million;
3) buildings, land and equipment $2.2 million;
4) information technology-related $5.1 million;
5) vehicles, equipment and all other general plant $5.2 million.

Water Department

	2017	2016	2015
Water sales (million gallons)	30,059.0	28,723.1	25,134.2

In 2017, the volume of water sales increased 1,335.9 million gallons, or 4.7%, due in part to full year precipitation levels that were in excess of 4 inches below normal, resulting in increased commercial and residential sprinkling. In 2016, the volume of water sales increased 3,588.9 million gallons, or 14.3%, due in part to full year precipitation levels that were nearly 10 inches less than 2015's level (2015 precipitation levels were nearly 14 inches above normal), resulting in increased commercial and residential sprinkling.

	2017	2016	2015
Customers (December 31)	214,142	211,623	208,256

The number of customers at the end of 2017 increased 2.519, or 1.2% over 2016. The number of customers at the end of 2016 increased 3,367, or 1.6% over 2015.

Water Department Summary of Results of Operations

	2017		2016		2015	
Operating revenues:						
Water sales	$ 103,479,774	84%	$ 96,989,172	84%	$ 85,844,760	83%
Infrastructure charge	14,546,568	12	14,470,872	13	14,098,446	14
Other	4,494,121	4	3,954,889	3	3,492,962	3
Less bad debt expense	(192,277)	—	(320,307)	—	(472,268)	—
Total operating revenues, net	122,328,186	100%	115,094,626	100%	102,963,900	100%
Operating expenses	92,744,154		89,849,791		88,877,125	
Nonoperating expenses net	6,717,715		6,540,515		7,908,533	
Change in net position	22,866,317		18,704,320		6,178,242	
Net position, beginning of year (as restated for 2015)	293,844,710		275,140,390		268,962,148	
Net position, end of year	$ 316,711,027		$ 293,844,710		$ 275,140,390	

Operating revenues, net, increased 6.3% in 2017 due to precipitation levels that were below normal by in excess of 4 inches, coupled with the impact of a 2.5% increase to the Service Charge and Commodity components of rates. Operating revenues, net, increased 11.8% in 2016 due to precipitation levels that were nearly 10 inches less than 2015, coupled with the impact of a 3.5% increase to the Service Charge and Commodity components of rates. The annual revenues for the average residential water customer were $355.81 in 2017 compared to $336.45 in 2016 and to $ 320.34 in 2015.

Total operating expenses in 2017 were up by $2.9 million, or 3.2%, due primarily to increased distribution maintenance expense (due to high number of main breaks), increased depreciation and amortization expense, and increased pumping and purification operating expense associated with increased volumes. The expense increases were partially offset by decreased Administrative and General expense due to additional amounts allocated to construction projects. Total operating expenses in 2016 were up $1.0 million, or 1.1%, due primarily to increased depreciation and amortization expense, increased water service reconnection expense associated with infrastructure replacement and increased purification operating expense associated with increased volumes. The expense increases were partially offset by decreased Administrative and General expense due to additional amounts allocated to construction projects.

Non-operating expenses increased minimally in 2017 due primarily to less interest capitalized to construction projects. Non-operating expenses decreased by $1.4 million in 2016, due primarily to $1.1 million of bond issuance expenses associated with the Series 2015 water revenue bonds, recorded in 2015.

METROPOLITAN UTILITIES DISTRICT

Management's Discussion and Analysis

December 31, 2017 and 2016

Water Summary Financial Position

	2017	2016	2015
Plant in service, net	$ 853,179,220	$ 833,355,675	$ 814,934,043
Current assets	106,958,728	80,664,555	63,284,817
Noncurrent assets	12,698,840	22,339,353	35,917,271
Total assets	972,836,788	936,359,583	914,136,131
Deferred outflows of resources			
Pension amounts	3,340,750	6,100,766	9,056,154
Debt refunding	4,285,703	4,843,709	5,419,285
Total deferred outflows of resources	7,626,453	10,944,475	14,475,439
Total assets and deferred outflows of resources	$ 980,463,241	$ 947,304,058	$ 928,611,570
Deferred inflows of resources			
Pension amounts	$ 8,621,839	$ 609,222	$ —
Contributions in aid of construction	296,727,173	291,866,441	288,214,682
Total deferred inflows of resources	305,349,012	292,475,663	288,214,682
Current liabilities	61,845,746	46,111,713	43,340,468
Long-term obligations	296,557,456	314,871,972	321,916,030
Total liabilities	358,403,202	360,983,685	365,256,498
Net position:			
Net investment in capital assets	348,129,966	332,309,366	321,062,547
Restricted	1,654,424	1,654,607	3,275,181
Unrestricted	(33,073,363)	(40,119,263)	(49,197,338)
Total net position	316,711,027	293,844,710	275,140,390
Total liabilities, deferred inflows of resources, and net position	$ 980,463,241	$ 947,304,058	$ 928,611,570

Water Department Long-Term Debt Activity

The following table summarizes the long-term debt of the Water Department as of December 31, 2016 and 2015:

	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
Water Revenue Bonds				
Series 2015	$ 181,565,000	$ -	$ 7,530,000	$ 174,035,000
Plus unamortized premium	12,401,832	-	1,400,303	11,001,529
Water Revenue Bonds				
Series 2012	35,110,000	-	1,680,000	33,430,000
Plus unamortized premium	2,067,950	-	129,513	1,938,437
NDEQ Note Payable #2	4,424,425	-	265,896	4,158,529
Total Long-Term Debt	$ 235,569,207	$ -	$ 11,005,712	$ 224,563,495

On November 18, 2015 the District announced the successful completion of an $188,895,000 series 2015 water revenue bond issuance; the all-in cost of funds associated with the offering is 2.96 percent. The bond issuance allowed for the refund and refinancing of the Series 2006A and Series 2006B bonds at a more favorable interest rate; the refinancing will save the District $16.4 million over the life of the financing. In addition, $41 million of the bond issuance was new debt that will be used to fund capital improvement projects at our Florence Water Treatment plant over the next three years. At December 31, 2017, $9.0 million remained of the aforementioned $41 million Florence project fund.

At December 31, 2017 and 2016, the District's long-term debt included $174,035,000 and $181,565,000 respectively of Series 2015 bonds outstanding. During 2017 and 2016, respectively, the District made principal payments of $7,530,000 and $7,330,000 towards its outstanding Series 2015 water revenue bonds.

At December 31, 2017 and 2016, the District's long-term debt included $33,430,000 and $35,110,000, respectively, of Series 2012 bonds outstanding. During 2017 and 2016, respectively, the District made principal payments of $1,680,000 and $1,585,000 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. This loan provided for $1,089,775 in loan forgiveness in the form of a grant, at project completion. At December 31, 2017 and 2016, long term obligations for this note were $4,158,529 and $4,424,425 respectively. During 2017 and 2016, the District made principal payments of $265,896 and $260,657 respectively pursuant to this note payable.

Water Department Long-Term Debt Covenant Compliance

Water Revenue Bonds Series 2012 and Water Revenue Bond Series 2015

The District was in compliance with the provisions of the Water Revenue Series 2012 and Water Revenue Series 2015 bond covenants at December 31, 2017, 2016 and 2015. 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 $30.4 million, $28.2 million and $16.5 million for 2017, 2016 and 2015 respectively. Please see the chart below for debt service coverage ratio information:

	2017	2016	2015
Debt service coverage ratios	3.17x	3.02x	2.26x
Debt service coverage requirements	1.20x	1.20x	1.20x

Liquidity & Credit Ratings

The District has focused considerable effort on improving the liquidity of 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 improved "days cash on hand", increasing to 357 days at year-end 2017, as compared with 238 days at year end 2016 and 140 days at year end 2015.

The aforementioned financial and operational management practices have also contributed to improved credit ratings, which enable the Water Department to borrow funds at more favorable rates. Following are the credit ratings currently in place by Standard & Poor's Rating Services (S&P) and Moody's Investors Services (Moody's), two prominent independent credit rating agencies:

	S&P	Moody's
MUD Water Revenue Bonds	AA-/Stable	Aa2/Stable *

*Upgraded from A1 on October 16, 2017

Water Department Capital Asset Activity

Significant projects in 2017 and 2016 are as follows:

• In 2017, capital and construction-related costs totaled $41.1 million; significant expenditures for projects completed or in process included:

1) Infrastructure replacement (i.e. Cast Iron water main abandonment/replacement): $12.4 million;
2) Other water mains and distribution: $12.8 million;
3) Florence water treatment plant – Minne Lusa high service pump architectural, mechanical, structural and electrical improvements: $9.0 million;
4) Florence water treatment plant – Chemical building architectural, mechanical, structural and electrical improvements: $1.3 million;
5) Construction machines: $1.2 million;
6) Florence water treatment plant – intake structure improvements: $.6 million;
7) Platte South water treatment plant – replace upflow basin valves: $.6 million.

• In 2016, capital and construction-related costs totaled $38.4 million; significant expenditures for projects completed or in process included:

1) Infrastructure replacement (i.e. Cast Iron water main abandonment/replacement):$10.8 million;
2) Other water mains and distribution: $9.2 million;
3) Florence water treatment plant – Upgrade of the primary basin's mechanical and electrical equipment and refurbishment of C-basin's deteriorating elevated concrete slab. The process improvements to be addressed by this project include upgrading the mix gear on two primary basins to allow for higher plant softening flows: $8.5 million;
4) Florence water treatment plant – Construction costs related to the renovation of the filter plant including structural repairs, architectural rehabilitation, mechanical improvements (dehumidification, electrical panels, wiring and fixture replacement) and process improvements (valve replacements, chemical storage and chemical feed improvements): $3.3 million;
5) Construction machines: $1.3 million;
6) Florence water treatment plant – Minne Lusa high service pump station improvements: $.6 million.
7) Florence water treatment plant – Guard shack, gate and paving improvements: $.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 1723 Harney Street, Omaha, Nebraska 68102.

METROPOLITAN UTILITIES DISTRICT

Statements of Net Position

December 31, 2017 and 2016

	2017				2016			
Assets and Deferred Outflows of Resources	**Gas Department**	**Water Department**	**Eliminations**	**Business-type Activities Total**	**Gas Department**	**Water Department**	**Eliminations**	**Business-type Activities Total**
Capital assets:								
Utility plant in service	$ 597,112,263	1,093,314,388	—	1,690,426,651	$ 568,791,785	1,041,651,111	—	1,610,442,896
Less accumulated depreciation	190,884,550	271,056,576	—	461,941,126	181,790,353	252,958,352	—	434,748,705
	406,227,713	822,257,812	—	1,228,485,525	387,001,432	788,692,759	—	1,175,694,191
Construction in progress	10,860,193	30,921,408	—	41,781,601	10,279,727	44,662,916	—	54,942,643
Net capital assets	417,087,906	853,179,220	—	1,270,267,126	397,281,159	833,355,675	—	1,230,636,834
Noncurrent assets:								
Cash and cash equivalents – restricted	—	12,127,565	—	12,127,565	—	21,717,357	—	21,717,357
Other noncurrent assets	631,799	571,275	—	1,203,074	1,085,204	621,996	—	1,707,200
Total noncurrent assets	631,799	12,698,840	—	13,330,639	1,085,204	22,339,353	—	23,424,557
Current assets:								
Cash and cash equivalents	95,582,666	75,681,428	—	171,264,094	101,990,895	49,232,362	—	151,223,257
Cash and cash equivalents – restricted	—	1,482,571	—	1,482,571	—	1,482,879	—	1,482,879
Accounts receivable – customers and others,			—				—	
less allowance for doubtful accounts	27,184,462	24,494,832	—	51,679,294	24,602,449	24,940,521	—	49,542,970
Interdepartmental receivable	—	1,354,418	(1,354,418)	—	—	273,681	(273,681)	—
Natural gas in storage	9,747,810	—	—	9,747,810	8,801,751	—	—	8,801,751
Propane in storage	4,488,151	—	—	4,488,151	4,910,069	—	—	4,910,069
Materials and supplies	3,179,871	2,516,985	—	5,696,856	3,116,913	3,353,764	—	6,470,677
Construction materials	2,073,129	1,329,803	—	3,402,932	3,137,816	1,256,679	—	4,394,495
Prepayments	707,357	98,691	—	806,048	712,154	124,669	—	836,823
Total current assets	142,963,446	106,958,728	(1,354,418)	248,567,756	147,272,047	80,664,555	(273,681)	227,662,921
Total assets	560,683,151	972,836,788	(1,354,418)	1,532,165,521	545,638,410	936,359,583	(273,681)	1,481,724,312
Deferred Outflows of Resources								
Pension amounts	4,050,289	3,340,750	—	7,391,039	7,243,680	6,100,766	—	13,344,446
Deferred charge on refunding	—	4,285,703	—	4,285,703	—	4,843,709	—	4,843,709
Total deferred outflows of resources	4,050,289	7,626,453	—	11,676,742	7,243,680	10,944,475	—	18,188,155
Total assets and deferred outflows of resources	$ 564,733,440	980,463,241	(1,354,418)	1,543,842,263	$ 552,882,090	947,304,058	(273,681)	1,499,912,467

See accompanying notes to basic financial statements.

Liabilities, Deferred Inflows and Net Position	2017 Gas Department	2017 Water Department	2017 Eliminations	2017 Business-type Activities Total	2016 Gas Department	2016 Water Department	2016 Eliminations	2016 Business-type Activities Total
Net position:								
Net investment in capital assets	$ 375,101,336	348,129,966	—	723,231,302	$ 354,652,000	332,309,365	—	686,961,365
Restricted:								
Environmental	—	171,853	—	171,853	—	171,728	—	171,728
Debt service requirements-sinking fund	—	1,482,571	—	1,482,571	—	1,482,879	—	1,482,879
Unrestricted	(15,824,066)	(33,073,363)	—	(48,897,429)	(17,494,187)	(40,119,262)	—	(57,613,449)
Total net position	359,277,270	316,711,027	—	675,988,297	337,157,813	293,844,710	—	631,002,523
Deferred inflows of resources								
Pension amounts	10,554,908	8,621,839	—	19,176,747	738,615	609,222	—	1,347,837
Contributions in aid of construction	41,267,726	296,727,173	—	337,994,899	41,682,356	291,866,441	—	333,548,797
Total deferred inflows of resources	51,822,634	305,349,012	—	357,171,646	42,420,971	292,475,663	—	334,896,634
Noncurrent liabilities:								
Long-term debt, excluding current installments	485,008	214,642,255	—	215,127,263	718,822	226,093,311	—	226,812,133
Self-insured risks	361,153	199,443	—	560,596	343,557	85,923	—	429,480
Net pension liability	21,531,753	18,043,258	—	39,575,011	34,739,538	28,937,269	—	63,676,807
Postretirement obligation	66,947,300	59,642,661	—	126,589,961	64,965,635	55,884,061	—	120,849,696
Other accrued expenses	3,926,194	4,029,839	—	7,956,033	3,658,917	3,871,408	—	7,530,325
Unearned gas purchase discounts	1,825,000	—	—	1,825,000	4,325,000	—	—	4,325,000
Total noncurrent liabilities	95,076,408	296,557,456	—	391,633,864	108,751,469	314,871,972	—	423,623,441
Current liabilities:								
Accounts payable and remediation obligation	27,885,328	5,994,661	—	33,879,989	29,004,479	3,959,055	—	32,963,534
Customer deposits	21,709,129	4,349,129	—	26,058,258	28,305,235	1,450,514	—	29,755,749
Customer advances for construction	508,158	18,299,468	—	18,807,626	416,655	8,126,595	—	8,543,250
Interdepartmental payable	1,354,418	—	(1,354,418)	—	273,681	—	(273,681)	—
Sewer fee collection due to municipalities	—	20,669,213	—	20,669,213	—	20,669,171	—	20,669,171
Statutory payment due to municipalities	1,000,786	524,942	—	1,525,728	865,525	495,923	—	1,361,448
Other accrued expenses	163,591	167,910	—	331,501	152,455	161,309	—	313,764
Current installments of long-term debt	233,836	9,921,240	—	10,155,076	227,981	9,475,896	—	9,703,877
Accrued interest	—	678,404	—	678,404	—	715,379	—	715,379
Self-insured risks	745,133	1,240,779	—	1,985,912	794,463	1,057,871	—	1,852,334
Other liabilities	2,456,749	—	—	2,456,749	2,011,363	—	—	2,011,363
Unearned gas purchase discounts	2,500,000	—	—	2,500,000	2,500,000	—	—	2,500,000
Total current liabilities	58,557,128	61,845,746	(1,354,418)	119,048,456	64,551,837	46,111,713	(273,681)	110,389,869
Total liabilities	153,633,536	358,403,202	(1,354,418)	510,682,320	173,303,306	360,983,685	(273,681)	534,013,310
Total liabilities, deferred inflows of resources, and net position	$ 564,733,440	980,463,241	(1,354,418)	1,543,842,263	$ 552,882,090	947,304,058	(273,681)	1,499,912,467

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2017 and 2016

	2017				2016			
	Gas Department	**Water Department**	**Eliminations**	**Business-type Activities Total**	**Gas Department**	**Water Department**	**Eliminations**	**Business-type Activities Total**
Operating revenues:								
Charges for services	$ 204,093,226	122,520,463	—	326,613,689	$ 177,103,032	115,414,933	—	292,517,965
Less bad debt expense	413,588	192,277	—	605,865	489,434	320,307	—	809,741
Charges for services, net	203,679,638	122,328,186	—	326,007,824	176,613,598	115,094,626	—	291,708,224
Operating expenses:								
Cost of natural gas	106,365,860	—	—	106,365,860	88,543,519	—	—	88,543,519
Operating and maintenance	56,706,867	76,754,634	—	133,461,501	58,252,064	74,936,162	—	133,188,226
Depreciation and amortization	14,972,448	14,330,944	—	29,303,392	13,611,649	13,353,783	—	26,965,432
Payment in lieu of taxes	3,324,197	1,658,576	—	4,982,773	2,865,758	1,559,846	—	4,425,604
Total operating expenses	181,369,372	92,744,154	—	274,113,526	163,272,990	89,849,791	—	253,122,781
Operating income	22,310,266	29,584,032	—	51,894,298	13,340,608	25,244,835	—	38,585,443
Nonoperating revenues (expenses):								
Investment income (loss)	158	123,107	—	123,265	(6,396)	101,579	—	95,183
Other expense	(120,669)	(189,424)	—	(310,093)	(169,356)	(154,975)	—	(324,331)
Interest expense	(70,298)	(6,651,398)	—	(6,721,696)	(77,815)	(6,487,119)	—	(6,564,934)
Total nonoperating revenues (expenses), net	(190,809)	(6,717,715)	—	(6,908,524)	(253,567)	(6,540,515)	—	(6,794,082)
Change in net position	22,119,457	22,866,317	—	44,985,774	13,087,041	18,704,320	—	31,791,361
Net position, beginning of year	337,157,813	293,844,710	—	631,002,523	324,070,772	275,140,390	—	599,211,162
Net position, end of year	$ 359,277,270	316,711,027	—	675,988,297	$ 337,157,813	293,844,710	—	631,002,523

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017			2016		
	Gas Department	Water Department	Business-type Activities Total	Gas Department	Water Department	Business-type Activities Total
Cash flows from operating activities:						
Receipts from customers	$ 201,954,677	122,966,152	324,920,829	$ 176,200,746	115,928,670	292,129,416
Payments to suppliers	(128,835,142)	(44,776,512)	(173,611,654)	(94,332,640)	(44,198,123)	(138,530,763)
Cash collections on behalf of other governments	—	152,288,355	152,288,355	—	140,476,439	140,476,439
Cash disbursements to other governments	—	(144,828,794)	(144,828,794)	—	(132,821,785)	(132,821,785)
Payments to employees	(36,810,768)	(30,415,945)	(67,226,713)	(36,108,464)	(29,791,081)	(65,899,545)
Payments in lieu of taxes	(3,324,197)	(1,658,576)	(4,982,773)	(2,865,758)	(1,559,846)	(4,425,604)
Net cash provided by operating activities	32,984,570	53,574,680	86,559,250	42,893,884	48,034,274	90,928,158
Cash flows from noncapital financing activities:						
Interdepartmental loans and advances	1,123,522	(1,123,522)	—	(1,135,864)	1,135,864	—
Net cash provided by (used in) noncapital financing activities	1,123,522	(1,123,522)	—	(1,135,864)	1,135,864	—
Cash flows from capital and related financing activities:						
Plant additions	(36,958,012)	(37,963,923)	(74,921,935)	(39,633,550)	(37,049,780)	(76,683,330)
Plant removal/retirement costs	(3,864,684)	(763,793)	(4,628,477)	(4,251,513)	(838,452)	(5,089,965)
Debt issuance costs	—	—	—	—	(1,000)	(1,000)
Payments on long-term debt	(227,959)	(9,475,897)	(9,703,856)	(222,185)	(9,209,312)	(9,431,497)
Customer advances/CIAC	604,474	21,203,606	21,808,080	608,501	11,686,895	12,295,396
Interest paid	(70,298)	(8,715,292)	(8,785,590)	(77,815)	(8,988,142)	(9,065,957)
Net cash used in capital and related financing activities	(40,516,479)	(35,715,299)	(76,231,778)	(43,576,562)	(44,399,791)	(87,976,353)
Cash flows from investing activities:						
Interest received (paid)	158	123,107	123,265	(6,396)	101,579	95,183
Net cash provided by (used in) investing activities	158	123,107	123,265	(6,396)	101,579	95,183
Net increase (decrease) in cash and cash equivalents	(6,408,229)	16,858,966	10,450,737	(1,824,938)	4,871,926	3,046,988
Cash and cash equivalents, beginning of year	101,990,895	72,432,598	174,423,493	103,815,833	67,560,672	171,376,505
Cash and cash equivalents, end of year	$ 95,582,666	89,291,564	184,874,230	$ 101,990,895	72,432,598	174,423,493
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	$ 22,310,266	29,584,032	51,894,298	$ 13,340,608	25,244,835	38,585,443
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation & amortization						
Depreciation charged to other accounts	14,631,184	13,941,930	28,573,114	13,516,647	13,178,573	26,695,220
Depreciation charged to operations	4,667,531	843,311	5,510,842	4,943,281	812,425	5,755,706
Amortization charged to other accounts	341,264	389,014	730,278	95,002	175,210	270,212
Amortization charged to operations	1,857,748	117,555	1,975,303	1,283,066	104,295	1,387,361
Cash flows impacted by changes in:						
Amounts due from customers and others	(2,582,012)	445,689	(2,136,323)	70,966	513,736	584,702
Natural gas, propane, materials, supplies, and prepayments	(582,301)	862,757	280,456	1,119,027	(650,063)	468,964
Other noncurrent assets	453,402	50,720	504,122	179,433	(110,957)	68,476
Accounts payable and other	(1,240,585)	507,407	(733,178)	3,054,203	1,141,612	4,195,815
Customer deposits	(6,569,143)	2,898,615	(3,670,528)	1,281,750	156,556	1,438,306
Self-insurance and other liabilities	413,652	296,428	710,080	(879,981)	37,577	(842,404)
Net pension liability	(13,207,785)	(10,894,011)	(24,101,796)	(1,343,735)	(1,108,335)	(2,452,070)
Deferred inflows pension	14,366,019	11,849,344	26,215,363	1,576,800	1,300,571	2,877,371
Deferred outflows pension	(1,356,335)	(1,076,711)	(2,433,046)	2,693,954	2,264,039	4,957,993
Postretirement obligation	1,981,665	3,758,600	5,740,265	4,475,363	4,974,200	9,449,563
Unearned gas purchase discounts	(2,500,000)	—	(2,500,000)	(2,512,500)	—	(2,512,500)
Net cash provided by operating activities	$ 32,984,570	53,574,680	86,559,250	$ 42,893,884	48,034,274	90,928,158
Supplemental schedules of noncash capital and related financing items:						
Capitalized interest	$ —	1,055,109	1,055,109	$ —	1,480,298	1,480,298
Construction in Accounts Payable	945,147	3,287,951	4,233,098	437,001	1,565,657	2,002,658

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statements of Fiduciary Net Position

Pension and Other Post Employment Benefits

December 31, 2017 and 2016

	2017	2016
Assets		
Cash, Investments and pooled separate accounts	$ 416,343,803	$ 357,712,380
Liabilities	-	-
Net position held in trust for pension and other post employment benefits	$ 416,343,803	$ 357,712,380

See accompanying notes to basic financial statements

METROPOLITAN UTILITIES DISTRICT

Statements of Changes in Fiduciary Net Position
Pension and Other Post Employment Benefits
Years Ended December 31, 2017 and 2016

	2017	2016
Additions:		
Investment income (loss), net appreciation (depreciation) in the fair value of pooled separate accounts, interest and dividends, net of investment expense	$ 54,220,830	$ 25,895,152
Employer contributions	18,193,821	15,299,995
Employee contributions	3,757,444	3,895,899
Total additions	76,172,095	45,091,046
Deductions:		
Benefit payments	17,445,020	16,555,144
Administrative expenses	95,652	85,470
Total deductions	17,540,672	16,640,614
Net increase	58,631,423	28,450,432
Net position held in trust for pension and OPEB benefits		
Beginning of year	357,712,380	329,261,948
End of year	$ 416,343,803	$ 357,712,380

See accompanying notes to basic financial statements

(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, 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.

(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 three 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, and the difference between projected and actual earnings on pension plan investments. 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 in the measurement of pension liability is recognized over the average expected remaining service life of the active and inactive pension plan members at the beginning of the measurement period. The difference between projected and actual earnings on pension plan investments is recognized in pension 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. Allowance for borrowed funds used during construction represents interest capitalized on construction projects not paid for by contributions to the extent such projects are financed by debt. Interest was not capitalized on Gas Department projects in 2017 or 2016. Interest of $1,055,109 and $1,480,298 was capitalized on Water Department projects in 2017 and 2016, respectively. 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:

	2017	2016
Water Department	2.1%	2.1%
Gas Department	3.6	3.7

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 and Series 2015 water 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

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, 2017, the Water Department held $12.1 million in noncurrent "Cash and cash equivalents – restricted" which is made up of $0.2 million in funds required by the Nebraska Game and Parks Commission for environmental mitigation of wetlands, $2.9 million pursuant to various bond resolutions, and $9.0 million of proceeds remaining from the Water Revenue Bond Series 2015 issued in December 2015, which will be expended to update and improve the Florence water treatment plant. At December 31, 2016, the Water Department held $21.7 million in noncurrent "Cash and cash equivalents – restricted" which was made up of $0.2 million in funds required by the Nebraska Game and Parks Commission for environmental mitigation of wetlands, $2.9 million pursuant to various bond resolutions, and $18.6 million of proceeds remaining from the Water Revenue Bond Series 2015 issued in December 2015.

At both December 31, 2017 and 2016, the Water Department also held current "Cash and cash equivalents – restricted" of $1.5 million pursuant to various bond resolutions.

(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:

		2017	2016
Gas	$	15,134,979	12,333,772
Water		3,435,299	3,176,463

(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, 2017, the Gas Department reflected a payable to the Water Department and the Water Department reflected a receivable from the Gas Department of $1,354,418. At December 31, 2016, the Gas Department reflected a payable to the Water Department and the Water Department reflected a receivable from the Gas Department of $273,681. 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 $20,669,213 and $20,669,171 as of December 31, 2017 and 2016, 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 $4.9 million in both 2017 and 2016. 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.

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.

(p) Other Postemployment Benefits

Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, whereas other benefits, including postemployment healthcare, are taken after the employees' services have ended. Nevertheless, the benefits constitute compensation for employee services. The District accounts for other postemployment benefit costs on an accrual basis, charging expenses in the period incurred, with a corresponding liability for the difference between the annual required contribution and related costs, and the contributions made.

(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. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* issued in June 2015, will be effective for the District beginning with its year ending December 31, 2018. This Statement, which replaced the requirements of GASB Statement No. 45, requires governmental entities to report a liability on the financial statement for OPEB. GASB Statement No. 75 provides additional requirements for note disclosures and required supplementary information. Among the new required supplementary information is a schedule comparing a government's actual OPEB contributions to its contribution requirements. The District is currently assessing the impact of this Statement, which is expected to have a significant impact on the financial statements.

GASB Statement No. 85, *Omnibus 2017*, issued in March 2017, will be effective for the District beginning with its fiscal year ending December 31, 2018. Statement No. 85 is designed to address the practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The District is currently assessing the impact of this Statement.

GASB Statement No. 87, *Leases*, issued in June 2017, will be effective for the District beginning with its year ending December 31, 2020. 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.

(2) Impact of Adoption of New Accounting Standard

The District has implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the fiscal year ending December 31, 2017. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The adoption of this Statement resulted in additional note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments.

The District has implemented GASB Statement No. 82, *Pension Issues*, for the fiscal year ending December 31, 2017. This Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The effect of adopting GASB Statement No. 82 was to replace the measure of covered-employee payroll with the measure of covered payroll in note disclosures and Required Supplementary Information related to the pension plan.

(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, 2017 and 2016, 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, 2017 and 2016, the District's fiduciary funds had the following investments.

Investment Type		Fair Value		Hierarchy
	Pension Plan	OPEB	Total	Level
2017:				
Mutual Funds:				
Fixed Income Funds	$ 126,537,665	3,362,904	129,900,569	1
Domestic Equity Funds	193,878,532	6,930,940	200,809,472	1
International Equity Funds	80,841,819	3,311,160	84,152,979	1
	$ 401,258,016	13,605,004	414,863,020	
2016:				
Mutual Funds:				
Fixed Income Funds	$ 110,546,612	1,288,762	111,835,374	1
Domestic Equity Funds	172,086,775	2,664,518	174,751,293	1
International Equity Funds	68,479,758	1,245,235	69,724,993	1
	$ 351,113,145	5,198,515	356,311,660	

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 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 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 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, 2017 and 2016, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was 15.2% and 7.9%, respectively. For the years ended December 31, 2017 and 2016, the annual money weighted rate of return on OPEB plan investments, net of OPEB plan expense was 16.2% and 6.3%, 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:

Asset Class	Target Allocation Pension Plan	Target Allocation OPEB	Long-Term Expected Real Rate of Return
Domestic (U.S.) Equities	40.0 %	43.0 %	6.7 %
International (Non-U.S.) Equities	20.0	24.0	8.1
U.S. Aggregate Bonds	14.0	7.0	3.7
International Bonds	3.0	3.0	3.2
Intermediate Term Credit	5.0	5.0	4.1
Short Term Credit	5.0	5.0	3.9
Intermediate Term TIPS	5.0	5.0	2.9
REITS	8.0	8.0	6.1
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 pension and OPEB plans do not have a policy for custodial credit risk. 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, 2017 and 2016 is summarized as follows:

	Gas Department	Water Department	Total
2017:			
Utility plant in service:			
Depreciable	$ 592,273,333	1,080,266,685	1,672,540,018
Nondepreciable (land)	4,838,930	13,047,703	17,886,633
Total	597,112,263	1,093,314,388	1,690,426,651
Construction in progress (nondepreciable)	10,860,193	30,921,408	41,781,601
	607,972,456	1,124,235,796	1,732,208,252
Less:			
Accumulated depreciation	(190,884,550)	(271,056,576)	(461,941,126)
	$ 417,087,906	853,179,220	1,270,267,126
2016:			
Utility plant in service:			
Depreciable	$ 563,952,855	1,028,603,408	1,592,556,263
Nondepreciable (land)	4,838,930	13,047,703	17,886,633
Total	568,791,785	1,041,651,111	1,610,442,896
Construction in progress (nondepreciable)	10,279,727	44,662,916	54,942,643
	579,071,512	1,086,314,027	1,665,385,539
Less:			
Accumulated depreciation	(181,790,353)	(252,958,352)	(434,748,705)
	$ 397,281,159	833,355,675	1,230,636,834

The provision for depreciation expense is as follows:

	2017			2016		
	Gas Department	Water Department	Total	Gas Department	Water Department	Total
Charged to depreciation	$ 14,631,184	13,941,930	28,573,114	13,516,647	13,178,573	26,695,220
Charged to operating and maintenance	4,667,531	843,311	5,510,842	4,943,281	812,425	5,755,706
	$ 19,298,715	14,785,241	34,083,956	18,459,928	13,990,998	32,450,926

The depreciation expense presented above includes a reduction of expense of $7,097,602 and $6,930,913, for the years ended December 31, 2017 and 2016, respectively, due to the amortization of CIAC.

Capital asset activity for the years ended December 31, 2017 and 2016 is as follows:

	Balance, beginning of year	Increases	Decreases	Balance, end of year
2017:				
Gas Department:				
Utility plant in service	$ 568,791,785	38,094,902	(9,774,424)	597,112,263
Construction in progress	10,279,727	38,429,428	(37,848,962)	10,860,193
Accumulated depreciation	(181,790,353)	(20,182,635)	11,088,438	(190,884,550)
	$ 397,281,159	56,341,695	(36,534,948)	417,087,906
Water Department:				
Utility plant in service	$ 1,041,651,111	54,409,708	(2,746,431)	1,093,314,388
Construction in progress	44,662,916	40,183,843	(53,925,351)	30,921,408
Accumulated depreciation	(252,958,352)	(20,998,923)	2,900,699	(271,056,576)
	$ 833,355,675	73,594,628	(53,771,083)	853,179,220
	$ 1,230,636,834	129,936,323	(90,306,031)	1,270,267,126
2016:				
Gas Department:				
Utility plant in service	$ 534,712,204	41,953,018	(7,873,437)	568,791,785
Construction in progress	14,895,406	38,332,234	(42,947,913)	10,279,727
Accumulated depreciation	(172,965,023)	(19,329,400)	10,504,070	(181,790,353)
	$ 376,642,587	60,955,852	(40,317,280)	397,281,159
Water Department:				
Utility plant in service	$ 1,007,463,820	38,921,680	(4,734,389)	1,041,651,111
Construction in progress	43,285,792	39,273,469	(37,896,345)	44,662,916
Accumulated depreciation	(235,815,569)	(20,052,439)	2,909,656	(252,958,352)
	$ 814,934,043	58,142,710	(39,721,078)	833,355,675
	$ 1,191,576,630	119,098,562	(80,038,358)	1,230,636,834

(5) Long-Term Obligations

Activity in long-term obligations for the years ended December 31, 2017 and 2016 is as follows:

	Balance, beginning of year	Increases	Decreases	Balance, end of year	Due within one year
2017:					
Water Revenue Bonds					
Series 2015	$ 181,565,000	—	7,530,000	174,035,000	7,915,000
Plus unamortized premium	12,401,832	—	1,400,303	11,001,529	—
Water Revenue Bonds					
Series 2012	35,110,000	—	1,680,000	33,430,000	1,735,000
Plus unamortized premium	2,067,950	—	129,513	1,938,437	—
NDEQ note payable #2	4,424,425	—	265,896	4,158,529	271,240
CNG promissory note	946,803	—	227,959	718,844	233,836
Other postemployment					
benefits	120,849,696	16,755,472	11,015,207	126,589,961	—
Net pension liability	63,676,807	49,497,750	73,599,546	39,575,011	—
Self-insured risks	2,281,814	3,379,263	3,114,569	2,546,508	1,985,912
Remediation obligation	52,929	—	52,929	—	—
Other accrued expenses	7,844,089	757,209	313,764	8,287,534	331,501
	$ 431,221,345	70,389,694	99,329,686	402,281,353	12,472,489
2016:					
Water Revenue Bonds					
Series 2015	$ 188,895,000	—	7,330,000	181,565,000	7,530,000
Plus unamortized premium	13,846,241	—	1,444,409	12,401,832	—
Water Revenue Bonds					
Series 2012	36,695,000	—	1,585,000	35,110,000	1,680,000
Plus unamortized premium	2,197,818	—	129,868	2,067,950	—
NDEQ note payable #1	33,655	—	33,655	—	—
NDEQ note payable #2	4,685,082	—	260,657	4,424,425	265,896
CNG promissory note	1,168,988	—	222,185	946,803	227,981
Other postemployment					
benefits	111,400,133	17,616,196	8,166,633	120,849,696	—
Net pension liability	66,128,877	39,018,414	41,470,484	63,676,807	—
Self-insured risks	2,150,982	1,970,173	1,839,341	2,281,814	1,852,334
Remediation obligation	3,447,554	1,798,625	5,193,250	52,929	52,929
Other accrued expenses	7,523,668	621,368	300,947	7,844,089	313,764
	$ 438,172,998	61,024,776	67,976,429	431,221,345	11,922,904

(a) Notes Payable

Included in long-term debt in the Water Department is a 3% note payable (NDEQ note payable #1) and a 2% note payable (NDEQ note payable #2) to the Nebraska Department of Environmental Quality (NDEQ). NDEQ note payable #1 was paid off during 2016.

NDEQ note payable #2 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. During 2017 and 2016, the District paid back $265,896 and $260,657, respectively, as principal. The note payable requirements to maturity, June 15, 2031, for NDEQ note payable #2 are as follows:

	Principal	Interest	Administrative fee	Total
2018	$ 271,240	81,821	40,911	393,972
2019	276,692	76,369	38,185	391,246
2020	282,254	70,808	35,404	388,466
2021	287,927	65,134	32,567	385,628
2022	293,715	59,347	29,674	382,736
2023-2027	1,559,537	205,771	102,885	1,868,193
2028-2031	1,187,164	47,941	23,970	1,259,075
	$ 4,158,529	607,191	303,596	5,069,316

(b) 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, 2017 and 2016 consist of:

	Interest rate	Annual installment	Principal outstanding 2017	Principal outstanding 2016
Series 2012 bonds:				
Serial	2.000% - 4.000%	$ 1,185,000 - 2,335,000	20,155,000	21,835,000
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
2018	$	1,735,000	1,182,094	2,917,094
2019		1,800,000	1,112,694	2,912,694
2020		1,860,000	1,040,694	2,900,694
2021		1,925,000	966,294	2,891,294
2022		1,970,000	908,544	2,878,544
2023 – 2027		10,865,000	3,409,219	14,274,219
2028 – 2032		13,275,000	1,276,561	14,551,561
	$	33,430,000	9,896,100	43,326,100

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 $1,680,000 and $1,249,294, respectively, were paid on these bonds in 2017. Principal and interest payments of $1,585,000 and $1,296,844, respectively, were paid on these bonds in 2016. Total water revenues for the years ended December 31, 2017 and 2016 were $122,520,463 and $115,414,933, 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 remaining net proceeds from the 2015 Bonds will be used to finance a portion of the costs of improvements to the District's Florence Water Treatment Plant.

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 $7,530,000 and $7,335,255, respectively, were paid on these bonds in 2017. Principal and interest payments of $7,330,000 and $7,551,999, respectively, were paid on these bonds in 2016. Total water revenues for the years ended December 31, 2017 and 2016 were $122,520,463 and $115,414,933, respectively.

The balance, annual installments, and interest rates at December 31, 2017 and 2016 consist of:

	Interest rate	Annual installment	Principal outstanding 2017	2016
Series 2015 bonds:				
Serial	2.850% - 5.000%	$ 7,330,000 - 14,115,000	166,215,000	173,745,000
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
2018	$ 7,915,000	6,958,755	14,873,755
2019	8,320,000	6,563,005	14,883,005
2020	8,750,000	6,147,005	14,897,005
2021	9,200,000	5,709,505	14,909,505
2022	9,665,000	5,249,505	14,914,505
2023 – 2027	55,970,000	18,740,260	74,710,260
2028 – 2032	66,395,000	8,041,548	74,436,548
2033 – 2035	7,820,000	553,525	8,373,525
	$ 174,035,000	57,963,108	231,998,108

Series 2012 and Series 2015 Debt Covenant Compliance

At December 31, 2017, the District was in compliance with the provisions of the Series 2012 and 2015 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 $30.4 million and $28.2 million for 2017 and 2016, respectively; funds available for debt service were equal to 3.2 times and 3.0 times average debt service costs in 2017 and 2016, respectively.

(c) CNG Promissory Note

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

Principal and interest payments for the CNG promissory note are as follows:

		Principal	Interest	Total
2018	$	233,836	15,491	249,327
2019		239,810	9,516	249,326
2020		245,198	3,408	248,606
	$	718,844	28,415	747,259

(6) Line of Credit

The District entered into an unsecured line of credit on October 31, 2006 for $30,000,000. The current Loan Agreement matures May 1, 2018. The interest rate on the line of credit is variable and is calculated based on the "Three Month London Interbank Offered Rate (LIBOR)" plus 50 basis points; under no circumstances will the rate on this loan be less than 3%. As of December 31, 2017 and 2016, the interest rate was 3% and no amount was outstanding. The District did not draw on the line of credit during 2017 or 2016.

(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, 2017, membership of the Plan consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	589
Disabled members	24
Inactive members entitled to but not yet receiving benefits	34
Inactive non-vested members	1
Active members	836
Total	1,484

(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. Each member contributed 6.00% of pensionable earnings during 2017 and 2016. District contributions to the Plan totaled $11,193,821 and $10,300,000 for the fiscal years ending December 31, 2017 and 2016, respectively.

On March 7, 2018, the Board approved a new collective bargaining agreement, effective April 1, 2018 through March 31, 2023. This agreement includes an increase in pension contribution rates effective January 1 of each year to the following: 7.0% in 2019, 7.5% in 2020, 8.0% in 2021, 8.5% in 2022 and 9.0% in 2023. On March 7, 2018, the Board also approved increases in the contribution rate for employees not covered by the collective bargaining agreement to 6.5% effective on September 1, 2018 and to 7.0% on January 1, 2019. Contribution rates for these employees are then expected to align with the rates stated in the collective bargaining agreement through 2023.

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, 2017 and 2016 are as follows:

Statements of Plan Fiduciary Net Position at December 31, 2017 and 2016

		2017	2016
Assets			
Cash and cash equivalents	$	1,480,783	1,400,720
Investments at fair value			
Mutual funds:			
Fixed income funds		126,537,666	110,546,612
Domestic equity funds		193,878,531	172,086,775
International equity funds		80,841,819	68,479,758
Total investments		401,258,016	351,113,145
Total assets		402,738,799	352,513,865
Liabilities			
Accrued expenses and benefits payable		-	-
Total liabilities		-	-
Net position restricted for pensions	$	402,738,799	352,513,865

Statements of Changes in the Fiduciary Net Position
for the Years Ended December 31, 2017 and 2016

		2017	2016
Additions:			
Employer contributions	$	11,193,821	10,300,000
Employee contributions		3,757,444	3,895,899
Total contributions		14,951,265	14,195,899
Net investment income (loss)		52,812,850	25,696,348
Total additions		67,764,115	39,892,247
Deductions:			
Service benefits		17,445,020	16,555,144
Administrative expenses		94,161	85,186
Total deductions		17,539,181	16,640,330
Net increase (decrease)		50,224,934	23,251,917
Net position restricted for pensions:			
Beginning of year		352,513,865	329,261,948
End of year	$	402,738,799	352,513,865

Net Pension Liability

All of the District's pension assets are available to pay member's benefit. The net pension liability as of December 31, 2017 and 2016 was as follows:

		2017	2016
Total pension liability	$	442,313,810	416,190,672
Fiduciary net position		402,738,799	352,513,865
Net pension liability		39,575,011	63,676,807
Fiduciary net position as a % of total pension liability		91.05%	84.70%
Covered payroll	$	62,624,066	61,064,398
Net pension liability as a % of covered payroll		63.19%	104.28%

(a) Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation prepared as of January 1, 2017, but using new assumptions from the experience study presented in a report dated August 2, 2017, rolled forward one year to December 31, 2017.

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

Inflation	2.60%
Salary increases, including inflation	4% to 11%
Long-term investment rate of return, net of pension plan investment expenses, including inflation	7.00%
Cost-of-living adjustment	2.60%

Mortality rates for employees, healthy annuitants, and disabled annuitants were based on the RP-2014 Total Dataset Mortality Table, adjusted to 2006, with Female rates set forward one year, projected with generational improvements under Scale MP-2016.

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

- The investment return assumption was decreased from 7.25% to 7.00%.
- The price inflation assumption was lowered from 3.10% to 2.60%.
- The cost of living adjustment assumption was lowered from 3.00% to 2.60%.
- The general wage growth assumption was lowered from 4.00% to 3.50%.
- The covered payroll increase assumption was lowered from 4.00% to 3.50%.

- 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 generationally using Scale MP-2016.
- Assumed retirement rates were adjusted to better reflect actual experience.
- Assumed termination rates were adjusted to better reflect actual experience.

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 August 2, 2017. 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 2116.

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 %	6.7 %
International (Non-U.S.) equities	20.0	8.1
U.S. aggregate bonds	14.0	3.7
International bonds	3.0	3.2
Intermediate term credit	5.0	4.1
Short term credit	5.0	3.9
Intermediate term TIPS	5.0	2.9
REITS	8.0	6.1
Total	100.0 %	

(b) Discount Rate

The discount rate used to measure the total pension liability at December 31, 2017 was 7.00%. The discount rate used to measure the total pension liability at December 31, 2016 was 7.25%. 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: 6.00% of pensionable earnings.

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 7.00% was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the District as of December 31, 2017, calculated using the discount rate of 7.00%, as well as the District's net pension liability (asset) calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2017	$ 97,198,244	39,575,011	(8,589,586)

The following presents the net pension liability of the District as of December 31, 2016, calculated using the discount rate of 7.25%, as well as the District's net pension liability calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the discount rate used as of December 31, 2016:

	1% Decrease (6.25%)	December 31, 2016 Discount Rate (7.25%)	1% Increase (8.25%)
2016	$ 116,849,810	63,676,807	18,974,785

(d) Changes in Net Pension Liability

	Increases (Decreases)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at December 31, 2015	$ 395,390,825	329,261,948	66,128,877
Changes for the year:			
Service cost	10,857,017	-	10,857,017
Interest on total pension liability	28,076,211	-	28,076,211
Differences between expected and actual experience	(1,578,237)		(1,578,237)
Employer contributions	-	10,300,000	(10,300,000)
Employee contributions	-	3,895,899	(3,895,899)
Net investment income	-	25,696,348	(25,696,348)
Benefit payments, including member refunds	(16,555,144)	(16,555,144)	-
Administrative expenses	-	(85,186)	85,186
Net changes	20,799,847	23,251,917	(2,452,070)
Balances at December 31, 2016	$ 416,190,672	352,513,865	63,676,807
Changes for the year:			
Service cost	11,137,854	-	11,137,854
Interest on total pension liability	29,552,506	-	29,552,506
Differences between expected and actual experience	(5,835,431)	-	(5,835,431)
Assumption changes	8,713,229	-	8,713,229
Employer contributions	-	11,193,821	(11,193,821)
Employee contributions	-	3,757,444	(3,757,444)
Net investment income	-	52,812,850	(52,812,850)
Benefit payments, including member refunds	(17,445,020)	(17,445,020)	-
Administrative expenses	-	(94,161)	94,161
Net changes	26,123,138	50,224,934	(24,101,796)
Balances at December 31, 2017	$ 442,313,810	402,738,799	39,575,011

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The District recognized pension expense of $10,874,342 and $15,683,294 for the years ended December 31, 2017 and 2016, respectively.

At December 31, 2017, 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	$	—	6,067,370
Changes of assumptions		7,391,039	—
Differences between projected and actual earnings on pension plan investments		—	13,109,377
Total	$	7,391,039	19,176,747

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
2018	$	(687,651)
2019		(687,650)
2020		(5,645,646)
2021		(5,263,262)
2022		240,855
Thereafter		257,646
	$	(11,785,708)

(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, 2017, the date of the latest actuarial valuation, membership of the OPEB Plan consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	762
Active members	836
Total	1,598

(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, 2017 and 2016, the following payments were made:

		2017		2016
Water retirees	$	2,679,411	$	2,254,174
Gas retirees		3,274,835		2,755,102
Total claims/fees paid	$	5,954,246	$	5,009,276
Prefunded benefits		7,000,000		4,999,995
Retiree contributions		(1,939,039)		(1,842,638)
Total	$	11,015,207	$	8,166,633

Retiree health premiums are calculated based on a three-year rolling average, with 2017 projected costs serving as the final year of the calculation when determining premiums that went into effect April 1, 2017. 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, 2017 are as follows: 1) ages 59 and older: $220.62 per month, 2) age 58: $330.93 per month and 3) ages 55 through 57: $661.86 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 $220.62 per month).

Annual OPEB Cost and Net OPEB Obligation under GASB Statement No. 45

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for 2017 and 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

		2017	2016
Annual required contribution	$	15,949,807	16,873,529
Interest on net OPEB obligation		4,833,988	4,456,005
Adjustment to annual required contribution		(4,028,323)	(3,713,338)
Annual OPEB cost		16,755,472	17,616,196
Contributions made		11,015,207	8,166,633
Increase in OPEB obligation		5,740,265	9,449,563
Net OPEB obligation – beginning of year		120,849,696	111,400,133
Net OPEB obligation – end of year	$	126,589,961	120,849,696

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016 and 2015 are as follows:

		Annual OPEB cost	Annual OPEB Cost % contributed		Net OPEB obligation
Fiscal year ended:					
December 31, 2017	$	16,755,472	66%	$	126,589,961
December 31, 2016		17,616,196	46		120,849,696
December 31, 2015		17,525,590	22		111,400,133

GASB 45 Funded Status and Funding Progress

The funded status of the plan as of January 1, 2017, the date of the last actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	$	205,905,060
Actuarial value of plan assets		5,198,515
Unfunded actuarial accrued liability (UAAL)	$	200,706,545
Funded ratio		2.52%
Covered payroll	$	67,761,364
UAL as a percentage of covered payroll		296%

Actuarial Methods and Assumptions under GASB Statement No. 45

Actuarial valuations on an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan member to that point. The actuarial methods used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2017 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% projected investment rate of return and an annual healthcare cost trend of 7.50% initially, reduced by periodic decrements to an ultimate rate of 5.0% after five years. Both rates include a 3.1% inflation assumption. The unfunded actuarial accrued liability is being amortized over 30 years as a level percent of payroll.

GASB Statement No. 74 Disclosures

In fiscal year 2017, the District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The adoption of this new standard required the District to calculate and disclose information about its OPEB liability in the notes to the financial statements and in the required supplementary information. The District's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined based on an actuarial valuation prepared as of January 1, 2017, rolled forward one year to December 31, 2017.

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	43.0	%	6.7	%
International (Non-U.S.) equities	24.0		8.1	
U.S. aggregate bonds	7.0		3.7	
International bonds	3.0		3.2	
Intermediate term credit	5.0		4.1	
Short term credit	5.0		3.9	
Intermediate term TIPS	5.0		2.9	
REITS	8.0		6.1	
Total	100.0	%		

Changes in Net OPEB Liability

The components of net OPEB liability under GASB 74 at December 31, 2017 were as follows ($ in Thousands):

Reconciliation of Total OPEB Liability (TOL)		
Total OPEB Liability at Beginning of Year	$	186,333
Service cost		7,150
Interest		9,806
Net benefits paid		(4,015)
Change of assumptions		(4,129)
Total OPEB Liability at End of Year	$	195,145
Reconciliation of Fiduciary Net Position (FNP)		
Fiduciary Net Position at Beginning of Year	$	5,199
Actual return on plan assets		1,407
Employer contributions		11,015
Benefit payments		(4,015)
Administrative expenses		(1)
Fiduciary Net Position at End of Year	$	13,605
Money-Weighted Rate of Return		16.2%
Net OPEB Liability		
Total OPEB Liability	$	195,145
Fiduciary Net Position		(13,605)
Net OPEB Liability	$	181,540
FNP as a Percentage of TOL		6.97%
Key Assumptions for Net OPEB Liability		
Discount rate		5.05%
Salary scale		3.50%
Expected Return on Assets		7.00%
Healthcare Trend Rates		7.50% initially, decreasing to 5.00%
Inflation		2.60%

Mortality is based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table with Female rates set forward one year, generational with projected improvements under Scale MP-2016.

Discount Rate

The discount rate used to measure the total OPEB liability at December 31, 2017 was 5.05%. The projection of cash flows used to determine the discount rate was based on an actuarial valuation performed as of January 1, 2017. In addition to the actuarial methods and assumptions of the January 1, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

a. Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent years, total payroll was assumed to increase annually at a rate of 3.50%

b. The District is currently a pay-as-you-go plan that 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 begin paying benefits out of the trust.

c. The District intends to contribute 100% of the actuarially determined contribution (ADC) in 2019 and beyond. But absent a formal funding policy, the estimated amount contributed in future years is limited to the historic average over the last five years. Because the trust was established in 2016, contributions for years prior to 2016 were excluded from this calculation and the actual contributions from 2016 and 2017 and the budgeted contributions for 2018 were used, resulting in an average contribution of 72.47% of ADC. This average was applied to all future ADCs to determine future contributions.

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 projected to be depleted in 2051 and, as a result, the Municipal Bond Index Rate was used in the determination of a single equivalent interest rate (SEIR). The long-term expected rate of return of 7.00% on Plan investments was applied to all periods through the asset depletion date and the Municipal Bond Index of 3.44% was applied to all periods after the asset depletion date, resulting in a SEIR of 5.44%.

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

The following presents the net OPEB liability of the District, calculated using the discount rate of 5.05%, as well as the District's net OPEB liability calculated using a discount rate that is 1 percentage point lower (4.05%) or 1 percentage point higher (6.05%) than the current rate ($ in thousands):

		1% Decrease (4.05%)	Discount Rate (5.05%)	1% Increase (6.05%)
Net OPEB Liability	$	216,156	181,540	153,979

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, calculated using the healthcare cost trend rate of 7.50% decreasing to 5.00% for pre-Medicare and 5.50% decreasing to 5.00 percent for Medicare eligible, as well as the District's net OPEB liability calculated using a healthcare trend rate that is 1 percentage point lower (6.50% decreasing to 4.00%) or 1 percentage point higher (8.50% decreasing to 6.00%) than the current rate ($ thousands):

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	$ 149,550	181,540	222,929

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, 2017 and 2016 are as follows:

Statements of Plan Fiduciary Net Position at December 31, 2017 and 2016

	2017	2016
Assets		
Investments at fair value		
Mutual funds:		
Fixed income funds	$ 3,362,904	1,288,762
Domestic equity funds	6,930,940	2,664,518
International equity funds	3,311,160	1,245,235
Total investments	13,605,004	5,198,515
Total assets	13,605,004	5,198,515
Liabilities	-	-
Net position restricted for other postemployment benefits	$ 13,605,004	5,198,515

Statements of Changes in the Fiduciary Net Position
for the Years Ended December 31, 2017 and 2016

		2017	2016
Additions:			
Employer contributions	$	7,000,000	4,999,995
Net investment income		1,407,980	198,804
Total additions		8,407,980	5,198,799
Deductions:			
Administrative expenses		1,491	284
Total deductions		1,491	284
Net increase		8,406,489	5,198,515
Net position restricted for other postemployment benefits:			
Beginning of year		5,198,515	-
End of year	$	13,605,004	5,198,515

(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 $677,426 and $655,335 for 2017 and 2016, 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 $400,000, and when aggregate claims exceed 125% of projected levels. A liability for claims is recorded in accounts payable, and was $1,562,494 and $1,286,922 at December 31, 2017 and 2016, respectively.

Changes in the District's self-insured risk balances for the health plan during 2017 and 2016 are as follows:

		Business-type Activities Total	
		2017	2016
Beginning balance	$	1,286,922	1,195,023
Expenses		26,506,363	25,115,282
Payments		(26,230,791)	(25,023,383)
Ending balance	$	1,562,494	1,286,922

The District carries commercial insurance coverage for auto and property with deductibles ranging from $0 to $500,000. 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 2017. In 2017, 2016, and 2015, 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 2017 and 2016 are as follows:

		Gas Department		Water Department	
		2017	2016	2017	2016
Beginning balance	$	1,138,020	1,044,765	1,143,794	1,106,217
Expenses		1,118,732	726,424	2,260,531	1,243,749
Payments		(1,150,466)	(633,169)	(1,964,103)	(1,206,172)
Ending balance	$	1,106,286	1,138,020	1,440,222	1,143,794

(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. There were no receivable write-offs during 2017 or 2016. The allowance consists of the following at December 31:

		2017	2016
Water Department	$	2,785,417	2,594,762
Gas Department		5,743,032	5,318,391

(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 $2.4 billion of gas supply revenue bonds to fund these natural gas prepayment transactions, which are secured by gas contracts entered into with each project's members or customers. Under the current agreements, the District anticipates taking approximately 90% of the gas acquired in these transactions under a 20-year gas purchase agreement entered into with CPEP in 2007 and two 30-year gas purchase agreements, one entered into in 2009 and the other in 2012. Terms of this 2007 gas supply agreement were renegotiated in 2009 and again in 2012; the gas flows under this agreement will now expire on October 31, 2020. The 30-year gas purchase agreement entered into in 2009 was renegotiated in 2014 subsequent to litigation; full details are provided below. Audited financial statements of CPEP are available from the District.

At December 31, 2017 and 2016, the District owed CPEP $5,810,892 and $6,084,541, respectively, for gas purchases under these agreements, which is recorded within "Accounts payable and remediation obligation" in the statements of net position. During the years ended December 31, 2017 and 2016, billings from CPEP to the District for services provided under these agreements were $36,617,402 and $28,880,996, respectively.

The District has contracted to purchase the following volumes of gas from CPEP, through 2042, at a discount to market-based pricing on a pay-as-you-go basis:

	DTH
2018	11,886,986
2019	8,721,494
2020	5,361,558
2021	4,436,500
2022	4,830,500
2023 – 2042	115,840,000
	151,077,038

In 2017 and 2016, the District purchased 12,697,528 DTH and 12,791,991 DTH of gas, respectively, under these agreements, representing 41% and 46%, respectively, of the District's annual gas requirements. As discussed below, the 2009 long-term prepaid gas purchase contract has also been renegotiated subsequent to litigation.

In January 2014, Royal Bank of Canada (RBC) filed a lawsuit in U.S. District Court in Omaha to terminate its 30-year obligation to deliver gas pursuant to CPEP #2, which originated in August 2009. The CPEP #2 supply agreement accounts for approximately 15% of the District's annual gas requirements. RBC asserted that a change in international bank regulations relative to a requirement to maintain increased reserves against prospective losses related to the CPEP deal, serves as a "triggering event" to terminate the supply agreement. CPEP disputed RBC's position, and a countersuit was subsequently filed. On December 1, 2014, this matter was resolved; the renegotiation provides for the following: 1) $12.5 million up-front proceeds at closing, which have been recorded as unearned gas purchase discounts by the District, and will be 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, the remaining duration of the contract.

It should be noted that the aforementioned $12.5 million up-front proceeds were restricted, in that they must be spent on capital projects within three years from the closing date of December 1, 2014. During 2015, $5.4 million was spent on qualifying projects, while the remaining $7.1 million of the $12.5 million up-front proceeds was spent on qualifying capital projects during 2016.

In December 2017, CPEP closed on an advanced refunding transaction of the CPEP #3 2012 bonds. This transaction will result in increased contractual discounts from market prices, resulting in reduced gas costs of approximately $159 million over the 2022-2042 time period, an increase of $77 million from the original transaction that was completed in 2012.

(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, 2018 and October 31, 2018 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.

Additionally, during the fourth quarter of 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 will commence 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. At the conclusion of 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
2018	635,700
2019	1,063,400
2020	1,068,600
2021	1,063,400
2022	1,063,400
2023 – 2048	33,880,900
	38,775,400

(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.

(d) Construction

At December 31, 2017, the District's obligation under the uncompleted portion of contracts for plant facilities and equipment for the Water Department amounted to approximately $4.8 million, which will be financed through operations and the proceeds from the Water Revenue Bonds Series 2015. For the Gas Department, obligations amounted to approximately $2.4 million at December 31, 2017, which will be financed through operations.

(13) Contingencies

The District is subject to legal proceedings and claims that arise in the ordinary course of business. 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) Pollution Remediation

During 2011, the District was identified as a potentially responsible party (PRP) related to a site of a former manufactured gas plant (the Site). The Site is currently owned by the City of Omaha. This Site was subject to a site investigation by a third party to help the District determine potential options and costs associated with remediating the Site. In 2011, the District recorded a remediation liability of $2,500,000. During 2014 and 2015, estimated remediation amounts were updated to reflect the delays in proceeding while awaiting the State's approval of the proposed remediation plan and the impact of inflation. The total remediation liability at December 31, 2015 was $3,447,554.

With the assistance of the aforementioned third party, a detailed remediation plan was submitted to the State of Nebraska in November 2012. The State approved the remediation plan in November 2015. Site remediation began in early 2016 and included building demolition, removal of contaminated soils including transportation to a landfill, and installation of a “cap” of clean fill dirt. The project was completed in 2016 at a total cost of $5,447,915, net of a reimbursement of $150,000 from a third party. A final payment of $52,929 was outstanding at December 31, 2016, which was included as a current liability in the accompanying statements. This amount was paid in 2017.

The remediation plan requires monitoring of ground water activity for a minimum of two years following completion of the project, including the installation of monitoring wells and ground water sampling into 2019. On March 1, 2017, the District’s Board of Directors approved entering into an Interlocal Agreement with the City of Omaha in which the City would reimburse the District for the costs related to the ground water monitoring. Therefore, no additional remediation liability has been accrued as of December 31, 2017.

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedules of Funding Progress - Other Postemployment Benefits - GASB Statement No. 45

(Dollar amounts in thousands)

(Unaudited)

Schedule of Funding Progress – OPEB

Actuarial valuation date	**Actuarial value of assets (a)**	**Actuarial liability (AL) (b)**	**Unfunded AL (UAL) (b – a)**	**Funded ratio (a/b)**	**Covered-employee payroll (c)**	**UAL as a percentage of covered-employee payroll ((b – a)/c)**
1/1/2017	5,199	205,905	200,706	2.52%	67,761	296%
1/1/2015	—	200,828	200,828	—	57,351	350
1/1/2013	—	183,202	183,202	—	51,200	358

The information presented in the notes to the financial statements and required supplementary information was determined as part of the actuarial valuation at the date indicated. Valuation information is as follows:

	OPEB
Valuation Date	January 1, 2017
Actuarial cost method	Unit credit actuarial cost method
Amortization period	30 years
Remaining amortization period	30 years
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increase	4.0%
Annual postretirement benefit increase	N/A
Inflation rate	3.1%
Annual healthcare cost trend	7.5% initially, reduced by periodic decrements to a rate of 5% after five years

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Year ended December 31
($ in Thousands)

	2017
Total OPEB Liability	
Service cost	$ 7,150
Interest	9,806
Assumption changes	(4,129)
Benefit payments	(4,015)
Net change in total pension liability	8,812
Total OPEB liability, beginning	186,333
Total OPEB liability, ending (a)	$ 195,145
Plan Fiduciary Net Position	
Employer contributions	$ 11,015
Net investment income	1,407
Benefit payments	(4,015)
Administrative expenses	(1)
Net change in plan fiduciary net position	8,406
Plan fiduciary net position, beginning	5,199
Plan fiduciary net position, ending (b)	$ 13,605
Net OPEB liability, ending (a) - (b)	$ 181,540
Plan fiduciary net position as a percentage of the total OBEP liability	6.97%
Covered-employee payroll	67,761
Net OPEB liability as a percentage of covered-employee payrol	267.91%

Notes to Schedule:

Changes since prior valuation:

1. Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and health care plan election rates based upon recent experience and current expectations.
2. Price inflation lowered from 3.10% to 2.60% to reflect recent experience, historical patterns and future expectations.
3. General wage growth assumptions lowered from 4.00% to 3.50% to reflect recent experience, expected inflation, national historical patterns, and future expectations.
4. Covered payroll increase assumption lowered from 4.00% to 3.50% based on general wage growth assumptions as well as the District's actual experience.
5. Mortality was updated to the RP-2014 Mortality Table, adjusted to 2006, with a one-year set forward for females and projected generationally using Scale MP-2016.
6. Retirement rates were adjusted to better reflect actual experience.
7. Termination rates were adjusted to better reflect actual experience.

Note: Schedule is intended to show 10-year trend. GASB 74 was adopted in 2017, as such, only one year is 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, 2008 Through December 31, 2017
($ in Thousands)

Fiscal Year Ending December 31	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Actual Contribution as a % of Covered-Employee Payroll
2008	$ 13,789	$ 2,416	$ 11,373	$ 46,428	5.20%
2009	16,116	2,804	13,312	50,782	5.52%
2010	16,116	3,145	12,971	51,484	6.11%
2011	15,101	4,046	11,055	51,869	7.80%
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%

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, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Unit credit
Amortization method	Level percentage of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.60%
Healthcare cost trend rates	The immediate trend rates are assumed to decrease to an ultimate trend rate over a period of 5 years.
Salary increases	3.50%
Long-term investment rate of return	7.00%
Mortality	RP-2014 Mortality Table, adjusted to 2006, with a one-year set forward for females and projected generationally using Scale MP-2016.

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
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 two years are presented. Additional years will be reported as they become available.

METROPOLITAN UTILITIES DISTRICT

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

	2017	2016	2015
Total Pension Liability			
Service cost	$ 11,137,854	10,857,017	10,160,376
Interest on total pension liability	29,552,506	28,076,211	26,596,785
Differences between expected and actual experience	(5,835,431)	(1,578,237)	-
Assumption changes	8,713,229	-	-
Benefit payments, including member refunds	(17,445,020)	(16,555,144)	(16,154,435)
Net change in total pension liability	26,123,138	20,799,847	20,602,726
Total pension liability, beginning	416,190,672	395,390,825	374,788,099
Total pension liability, ending (a)	$ 442,313,810	416,190,672	395,390,825
Plan Fiduciary Net Position			
Employer contributions	$ 11,193,821	10,300,000	10,301,268
Employee contributions	3,757,444	3,895,899	2,820,596
Net investment income	52,812,850	25,696,348	(748,921)
Benefit payments, including member refunds	(17,445,020)	(16,555,144)	(16,154,435)
Administrative expenses	(94,161)	(85,186)	(92,250)
Net change in plan fiduciary net position	50,224,934	23,251,917	(3,873,742)
Plan fiduciary net position, beginning	352,513,865	329,261,948	333,135,690
Plan fiduciary net position, ending (b)	$ 402,738,799	352,513,865	329,261,948
Net pension liability, ending (a) - (b)	$ 39,575,011	63,676,807	66,128,877
Fiduciary net position as a percentage of the total pension liability	91.05%	84.70%	83.28%
Covered payroll*	$ 62,624,066	61,064,398	63,384,548
Net pension liability as a percentage of covered payroll	63.19%	104.28%	104.33%

Notes to Schedule:

Changes to benefit terms and funding terms:
2017: 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:
1/1/2017 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 generationally using Scale MP-2016.
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 three 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, 2008 Through December 31, 2017
($ in Thousands)

Fiscal Year Ending December 31	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered* Payroll	Actual Contribution as a % of Covered Payroll
2008	$ 5,965	$ 3,200	$ 2,765	$ 46,428	6.89%
2009	7,689	6,200	1,489	50,782	12.21%
2010	8,588	8,638	(50)	51,484	16.78%
2011	9,235	9,300	(65)	51,869	17.93%
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%

* 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, 2017 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 18 to 27 years (single equivalent amortization period is 27 years)
Asset valuation method	Expected + 25% of (market - expected values)
Inflation	3.10%
Salary increases	4.00% to 11.00%, depending on years of service
Long-term investment rate of return	7.25%
Retirement	Service-based table of rates.
Mortality	Pre-retirement mortality rates were based on the RP-2000 Employee Table with generational mortality projections using Scale AA. Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table with generational projections using Scale AA. Disabled mortality rates were based on the RP-2000 Disabled Retiree Table with generational projections using Scale AA.
Cost of living adjustments	3.0% 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
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 three years are presented. Additional years will be reported as they become available.

METROPOLITAN UTILITIES DISTRICT

Water Department

Schedule of Insurance Coverage

December 31, 2017

(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	6-15-2018
Data Processing Equipment	Equipment, media and extra expense	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2018
Contractors Equipment floater	Construction equipment and communication equipment	Continental Casualty Co.	$40,000 deductible	6-15-2018
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.	$200,000 per loss	2-7-2018

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, 2017

(Unaudited)

Operating revenues, net	$	122,328,186
Thousands of gallons of water supplied to mains		33,306,630
Thousands of gallons of water sold		30,058,950
Maintenance	$	23,798,027
Gross additions to utility plant in service, exclusive of land	$	54,409,708
Land purchased	$	—
Depreciation charged to operations and other accounts	$	14,785,241
Cost per thousand gallons of water sold (schedule A)	$	3.31
Collected for sale and rent of meters, net	$	491,275
Assessments against property for extension of mains	$	—
Operating expenses (schedule B)	$	92,744,154
Average number of employees for the year		382
Compensation of employees for the year	$	30,415,945
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, 2017

(Unaudited)

Operating expenses:		
Operations	$	52,956,607
Maintenance		23,798,027
Depreciation		14,330,944
Provision for statutory payments to municipalities		1,658,576
Total operating expenses		92,744,154
Other deductions:		
Interest		6,651,398
Total operating expenses and other deductions	$	99,395,552
Thousands of gallons of water sold		30,058,950
Cost per thousand gallons of water sold	$	3.31

Schedule B

METROPOLITAN UTILITIES DISTRICT

Water Department

Operating Expenses

Year ended December 31, 2017

(Unaudited)

Operating expenses:		
Operations:		
Primary pumping	$	8,949,364
Purification		11,397,423
Booster pumping		2,662,592
Distribution		8,956,484
Customer accounting		9,251,746
Marketing		676,764
Administrative		11,062,234
Total operating		52,956,607
Maintenance:		
Primary pumping		2,761,602
Purification		3,700,174
Booster pumping		1,591,433
Distribution		15,744,818
Total maintenance		23,798,027
Depreciation		14,330,944
Provision for statutory payments to municipalities		1,658,576
Total operating expenses	$	92,744,154

METROPOLITAN UTILITIES DISTRICT

Gas Department

Schedule of Insurance Coverage

December 31, 2017

(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	6-15-2018
Data Processing Equipment	Equipment, media and extra expense	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2018
Contractors Equipment floater nonowner liability	Construction equipment and communication equipment	Continental Casualty Co.	$40,000 deductible	6-15-2018
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.	$200,000 per loss	2-7-2018
Auto Fleet	Physical damage - specified parts	Amco Insurance, Inc. (Nationwide)	$500 deductible	6-15-2018
LNG plant	LNG plant and contents	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$250,000 deductible	6-15-2018
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	6-15-2018

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, 2017

(Unaudited)

Operating revenues, net	$	203,679,638
Dekatherms of gas delivered to mains		29,497,411
Dekatherms of gas sold		29,497,411
Maintenance	$	16,408,331
Gross additions to utility plant in service	$	38,094,902
Depreciation charged to operations and other accounts	$	19,298,715
Cost per thousand cubic feet of gas sold (schedule A)	$	6.04
Collected for sale and rent of meters	$	—
Assessments against property for extension of mains	$	—
Operating expenses (schedule B)	$	181,369,372
Average number of employees for the year		462
Compensation of employees for the year	$	36,810,768
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, 2017

(Unaudited)

Operating expenses:		
Natural gas	$	106,365,860
Operations		40,298,536
Maintenance		16,408,331
Depreciation		14,972,448
Provision for statutory payments to municipalities		3,324,197
Total operating expenses	$	181,369,372
Thousands of cubic feet of gas sold		30,041,575
Cost per thousand cubic feet of gas sold	$	6.04

Schedule B

METROPOLITAN UTILITIES DISTRICT

Gas Department

Operating Expenses

Year ended December 31, 2017

(Unaudited)

Operating expenses:		
Natural gas	$	106,365,860
Operations:		
Production		2,637,904
Distribution		11,463,016
Customer accounting and collecting		12,393,336
Marketing		1,116,375
Administrative		12,687,905
Total operations		40,298,536
Maintenance:		
Production		3,454,340
Distribution		12,953,991
Total maintenance		16,408,331
Depreciation		14,972,448
Provision for statutory payments to municipalities		3,324,197
Total operating expenses	$	181,369,372

Metropolitan Utilities District
1723 Harney St. • Omaha, NE 68102

mudomaha.com