2018

Annual Report

METROPOLITAN
UTILITIES DISTRICT

Mission

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

Vision

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

Core Values

Safety

Reliability

Fiscal Responsibility

Organizational Excellence

METROPOLITAN
UTILITIES DISTRICT

Metropolitan Utilities District (M.U.D.) is the only metropolitan utility district in the State of Nebraska. We are a public utility and proud to be customer-owned. We 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. 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 231,012 customers in Omaha, Bennington, Fort Calhoun, Springfield, Yutan and Bellevue.

We also provide safe drinking water to 216,180 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.

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 more than 27,000 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 the operation of the gas system to the Metropolitan Water District. The name was changed to the Metropolitan Utilities District on March 3, 1921.

DID YOU KNOW?

M.U.D. serves a metropolitan area of approximately 600,000 people or nearly half of the state of Nebraska.

Cover photo: We completed the $11.2 million renovation of the Minne Lusa Pump Station at the Florence Water Treatment Plant. Updates included a new high service pump, electrical and HVAC upgrades, structural improvements and a significant architectural face lift. (Photo credit: HDR).

Board of Directors

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

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

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

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

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

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

David DeBoer
Senior Vice-President
Chief Operations Officer
1997

Joseph Schaffart
Senior Vice-President
Chief Financial Officer
2013

Raied Stanley
Senior Vice-President
Chief Information Officer
2009

2018 Annual Report

Statistical Highlights

Years ended December 31, 2018, 2017 and 2016 (unaudited)

Water Department

	2018	2017	2016
Number of customers (December)	216,180	214,142	211,623
Sales (thousand gallons)	28,482,950	30,058,950	28,723,062
Operating revenues, net	$ 119,783,197	$ 122,328,186	$ 115,094,626
Operating expenses	91,730,706	92,744,154	89,849,791
Operating Income	$ 28,052,491	$ 29,584,032	$ 25,244,835
Plant additions and replacements, net	$ 53,189,874	$ 41, 097,383	$ 38,374,929
Plant in service	$ 1,131,651,797	$ 1,093,314,388	$ 1,041,651,111
Miles of mains	2,962	2,928	2,904
Average daily pumpage (thousand gallons)	85,375	91,269	87,493

Gas Department

	2018	2017	2016
Number of customers (December)	231,012	229,365	227,106
Sales (Dth):			
Firm	30,744,499	25,483,606	23,534,665
Interruptible	4,721,333	4,013,805	4,801,423
Total	35,465,832	29,497,411	28,336,088
Operating revenues, net	$ 237,587,047	$ 203,679,638	$ 176,613,598
Cost of gas sold	126,286,762	106,365,860	88,543,519
Other operating expenses	$ 77,523,065	$ 75,003,512	74,729,471
Operating income	$ 33,777,220	$ 22,310,266	$ 13,340,608
Plant additions and replacements, net	$ 39,321,821	$ 39,309,642	$ 41,107,268
Plant in service	$ 615,192,112	$ 597,112,263	$ 568,791,785
Miles of mains	2,856	2,832	2,807
Average daily sendout (Dth)	99,895	72,022	77,924
Number of active employees, water and gas combined	810	831	852

REPORT TO CUSTOMER-OWNERS

We are passionate about our core mission to provide safe, reliable and cost-effective natural gas and water services to our community. Our products and services are life-sustaining, and we take this responsibility very seriously. Annually, we believe we must present to you, our customer-owners, a synopsis of our progress towards fulfilling our mission, thereby strengthening your confidence in us. Each year brings new challenges and opportunities, and the paragraphs that follow will demonstrate that 2018 was no exception.

In April 2018, the Board of Directors selected Mark Doyle as the District's next president. This transition as well as several subsequent organizational changes were guided by our strategic plan and vision to become one of the nation's top utilities.

Our products and services are life-sustaining, and we take this responsibility very seriously.

Our team focused on infrastructure replacement and growth. We met our annual goal for replacing 40 miles of targeted natural gas mains and launched a plan to accelerate water main replacement to improve reliability and reduce impacts to customers and the community. The District partnered with the City of Lincoln on a feasibility study to evaluate a possible interconnection between our two water systems.

We also developed a water boundary agreement with the City of Springfield, which was approved in 2019 and provides an option for Springfield to become a wholesale water customer in the future. The District completed similar boundary agreements with the cities of Papillion and Gretna in 2016.

The District's downtown headquarters was purchased by Douglas County.

Our focus during 2018 was guided by our core values: safety, reliability, fiscal responsibility and organizational excellence, which will be covered in more detail later in this report.

Historic Change with Headquarters Building

In April 2019, our Board of Directors approved the purchase of 7350 World Communications Drive as the District's new headquarters. Douglas County purchased the District's current headquarters at 1723 Harney Street April 30. We anticipate moving into the new headquarters building in 2019. The District is committed to maintaining a downtown presence for face-to-face customer interactions in addition to

The District spent $30.1 million in 2018 to improve gas and water pipe infrastructure.

maintaining payment kiosks. We will open a customer service branch office at the Omaha Public Power District's Energy Plaza lobby in September 2019. Our Board of Directors meetings will remain open to the public during this transition. For information on board meeting dates, locations and agendas, please check our website at www.mudomaha.com. We also encourage you to follow us on our social media accounts (Facebook and Twitter) for alerts, news and events.

Our downtown facility served our customers and housed our employees since 1926. Although the decision was bittersweet, it is the next step in our long-term strategy to realign our organization, improve efficiencies and enhance collaboration among our employees. The new headquarters will support the additional capacity for our infrastructure replacement effort and growth of services.

Succession planning is a major focus for the District, as nearly 10 percent of our workforce is eligible for retirement. We continued to optimize the District to meet the challenges we face, to ensure we are strategically focused, properly resourced and appropriately structured. Reorganization and restructuring are underway, and we filled several key positions at the senior management and vice-president levels.

On behalf of our Board, leadership team and dedicated employees, we thank you for the opportunity to serve you with life-essential natural gas and water services. It's a privilege and a responsibility that we take seriously as we strive to earn your confidence every day.

Mark E. Doyle, President

Timothy W. Cavanaugh, M.U.D. Board Chairperson

FINANCIAL STABILITY MEASURES

Debt Service Coverage

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

	2018	2017
Water Debt Service Coverage Ratios	2.74x	3.17x
Gas Debt Service Coverage Ratios	25.55x	n/a
Debt Service Coverage Requirements	1.20x	1.20x

Cash Reserves

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

	2018	2017
Gas Department	216 days	215 days
Water Department	417 days	357 days

Credit Rating

M.U.D. Water Revenue Bonds - Moody's Investor Service; issued August 2, 2018	Aa2
M.U.D. Gas Revenue Bonds - Moody's Investor Service; issued June 5, 2018	Aa2

Pension Funding

Continued focus on the promise to our employees related to proper pension plan funding:

	2018	2017
Funded Ratio *(Actuarial Value of Assets/Actuarial Liability)*	87%	88%

Other Post-Employment Benefits (OPEB) Funding

Increased funding of OPEB trust fund in 2018:

	2018	2017
District contribution to OPEB trust fund *($ in millions)*	$12.5	$7.0

FISCAL RESPONSIBILITY

The District maintained a stable financial foundation, 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.

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 fourth lowest as measured by the average residential gas bill in 2018. Our water rates trended mid-range nationally and regionally, ranking 15th in 2018.

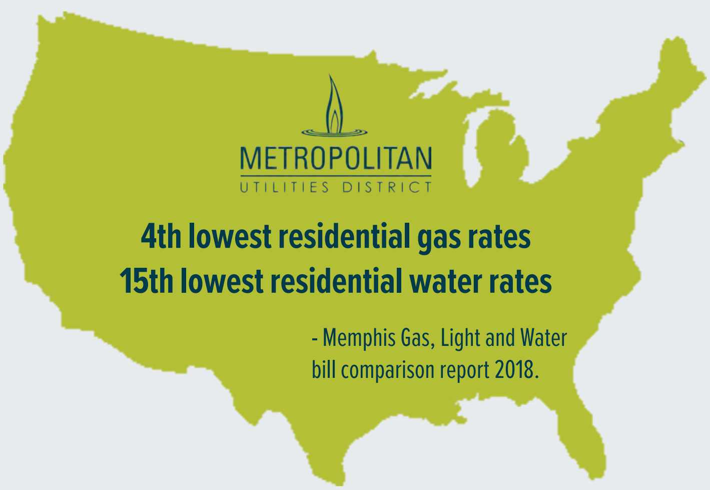
We completed our fourth long-term prepay gas purchase contract through the Central Plains Energy Project, which will save our customers $7 million over the first 52 months of the contract.

Sales of natural gas were 35.5 million decatherms (Dth) in 2018, which was the highest since 1974. January 15, 2018 brought a new peak gas sales day of 323,569 Dth; our liquefied natural gas (LNG) Plant produced 40,834 Dth that day with an additional 8,428 Dth of production from our propane caverns to meet the peak-day demand. These peak-shaving capabilities resulted in significant savings to our customers.

KEY FINANCIAL FACTORS

1. **Provide affordable gas and water service.**
2. **Sustain reinvestment in our infrastructure.**
3. **Properly fund promises to our employees.**
4. **Maintain debt service coverage.**
5. **Maintain adequate cash reserves.**

We continued to responsibly invest in infrastructure and completed two bond issuances in 2018. The District received an Aa2 credit rating from Moody's Investor Service and issued $31.6 million in gas revenue bonds on June 28. These bonds fund a portion of the cast iron gas main replacement costs for 2018 through 2020. We again received an Aa2 rating from Moody's and issued $37.4 million in water revenue bonds on September 27. These bonds fund qualified expenditures for the Florence Water Treatment Plant capital improvement projects from mid-2018 through the end of 2021.



The District spent $30.1 million in 2018 to improve gas and water pipe infrastructure. We abandoned 46.4 miles of gas mains, and replaced 4,835 gas services. We also abandoned 8.7 miles of water mains. We invested $18.3 million in capital improvement projects at the Florence Plant, including renovation of the Minne Lusa Pump Station, which was completed in the fall of 2018.

FISCAL RESPONSIBILITY

We remained committed to the promises to our employees related to proper pension and other post-employment benefits (OPEB) plan funding. Despite negative annual returns, both the pension and OPEB funds remain healthy and investment choices continue to be made with a long-term horizon in mind pursuant to the District's comprehensive Investment Policy Statement. At December 31, 2018, the pension plan had assets of $378.2 million, representing an actuarial-funded ratio of 87 percent.

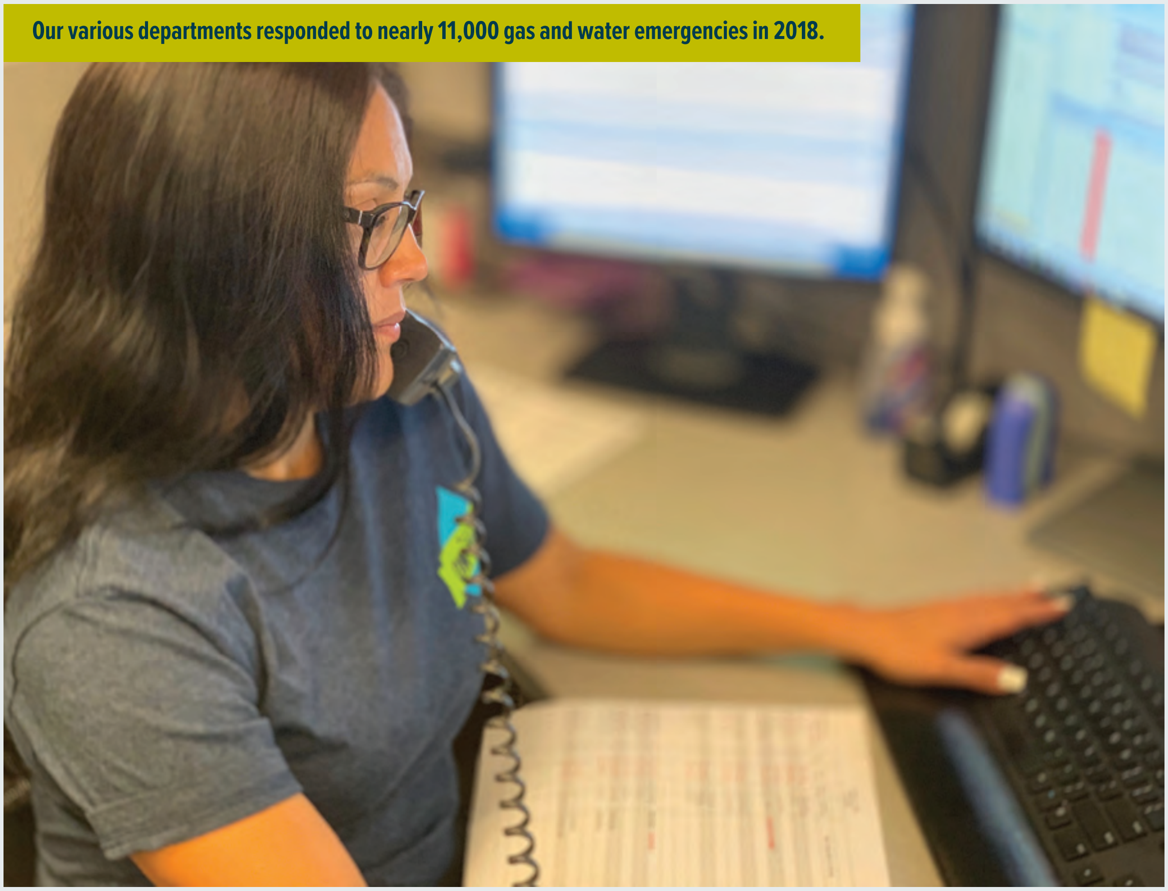
In 2018, the District contributed $16.7 million dollars to the OPEB Plan, including $12.4 million to prefund the OPEB trust and $4.3 million for benefit payments on a "pay-as-you-go" basis. The OPEB plan had assets of $24.4 million at December 31, 2018, and the funded ratio of accrued benefits was approximately 17 percent. Budgeted funding in 2019 will be 100 percent of the estimated actuarially determined required contribution for both the pension and OPEB plans.

We remained in compliance with water and gas revenue bond debt service requirements. Our water debt service coverage ratio was 2.74x and our gas debt service coverage ratio was 25.55x (the required coverage ratios are 1.20x).

The District's cash reserves increased for both the gas and water companies compared to the previous year. As of December 31, 2018, the gas company had 216 days cash on hand and the water company had 417 days cash on hand, exceeding our internal goal of 180 days, an amount equal to six months of operating expenses.

We are pleased to share these overall excellent financial results for 2018. Fiscal responsibility remains one of our organization's core values and allows us to deliver on our mission.

We invested $18.3 million in capital improvement projects at the Florence Plant, including renovation of the Minne Lusa Pump Station. (Photo credit: HDR).



Our various departments responded to nearly 11,000 gas and water emergencies in 2018.

Staying Safe and Managing Business Continuity

We continued to pursue safety excellence for both our internal and external stakeholders. Our team was actively engaged in identifying and reducing workplace risks in our pursuit of surpassing organizations focused solely on compliance or injuries. In 2018, we developed a full hazardous materials response team (HRT) of water plant professionals who completed a 40-hour training course. To maintain certification, HRT members will participate in quarterly training events and an annual full-scale exercise.

Our team was actively engaged in identifying and reducing workplace risks.

We implemented a business continuity management program. This program included additional training for all teams to ensure our continuous operation. We also developed and tested an emergency communications program, including a mass notification system, satellite telephones, water plant radios, and a regional incident response radio system. Communications between the Dispatch Department and key first responders have improved. Our various departments responded to nearly 11,000 gas and water emergencies with an average gas emergency response time of 22 minutes 30 seconds, which is top quartile performance in the industry.

In January, the Meter Reading Department implemented the Atmospheric Corrosion and Gas Leak Program. The program is designed to meet state and federal requirements for inspecting all inside gas meters and piping at least once every three years. Meter readers inspected 10,333 meters in 2018, and the program will remain in effect until all gas meters are relocated outside.

Providing Reliable Services

We have replaced approximately 276 total miles of cast iron gas mains and 79 miles of cast iron water mains since 2008. By the end of 2027, the District plans to abandon the remaining 277 miles of targeted gas mains. We plan to increase the pace of water main replacement from the current rate of eight miles per year to 30 miles per year by 2024.

To help us reach these goals, we realized we had to take our infrastructure replacement program to the next level. We introduced the CORE initiative, a strategic approach to implement our Linear Water Asset Management plan, as follows:

C — Condition Assessment
Validate main for replacement; establish leak detection technology.

O — OPTIMIZATION
Select critical miles to replace or rehabilitate; enhance pressure control.

R — REPLACEMENT/REHABILITATION
Insert structural lining; add infrastructure replacement dedicated District team; review contractor qualifications.

E — EXAMINATION
Research material choices & methods to reduce life cycle cost of mains.

Within the next year, the District plans to conduct multiple studies and implement several projects to target and replace critical miles of water mains to better serve our communities and reduce customer impacts. Innovation and technological advances are helping to make that happen.

Updating Water and Gas Facilities

As part of our Florence Capital Improvement Plan, we completed the $11.2 million renovation of the Minne Lusa Pump Station. The project team kept the District's oldest and largest pump station open and operable throughout construction, producing a minimum of 100 million-gallons-per-day (MGD) over the summer and 30 MGD during the remainder of the year.

Updates included a new high service pump, electrical and HVAC upgrades, structural improvements and a significant architectural facelift. The project, designed by HDR, was selected for several design awards from The American Council of Engineering Companies.

Did You Know?

From 2008 to 2018, M.U.D. replaced 276 miles of cast iron gas mains and 79 miles of cast iron water mains.

Construction is underway on the next major phase – updating the Florence Chemical Building for regulatory, performance, water quality and condition improvements. The project is expected to be completed by 2021.

At the Platte West Water Treatment Plant, we completed construction of two replacement wells to maintain groundwater designation standards. The plant completed its first decade of operation on July 31, 2018. In its 10 years of operation, the well field produced approximately 120.9 billion gallons of water for drinking water production, or an average of 33.1 million gallons per day.

On February 26, 2018, our Platte South Water Treatment Plant reached 50 years of operation. We celebrated the plant's golden anniversary with an open house for employees. Through the end of 2018, Platte South has delivered over 644.5 billion gallons of safe drinking water to our community.

At the liquefied natural gas (LNG) Plant, we replaced a second boil-off compressor (the other was replaced in 2017) to provide 100-percent redundancy.

Installing New Infrastructure to Support Area Growth

Our Construction crews installed more than 26 miles of new gas mains to serve new subdivisions in 2018.

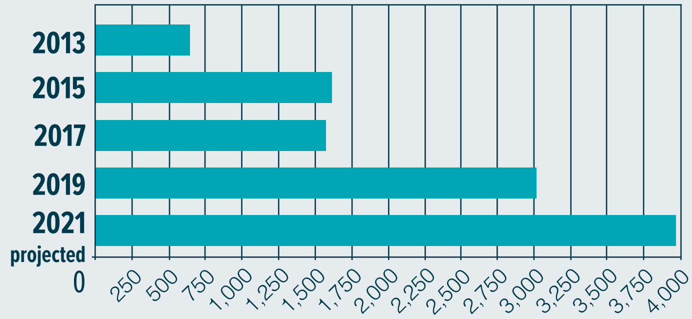
The Engineering Design, Plant Engineering and Construction Departments worked together on the design and installation of gas and water mains to serve the Heartwood Preserve Development project near 144th and West Dodge Road. The development is being built on the property previously owned by Boys Town and the DeMarco family and is expected to be a mixture of commercial, residential and multi-family housing.

In October we completed a project to add Mount Michael Benedictine Abbey as a gas customer and provide infrastructure in a future growth area. Through a partnership with Northern Natural Gas, our Construction crews installed 14,000 feet of gas mains to connect the school to the District's system.

Promoting Compressed Natural Gas (CNG)

More than 20 area businesses used CNG-fueled vehicles in their fleets and we saw exciting growth in 2018. United Parcel Service (UPS) operated 38 natural gas semi-trucks that consumed over 1.2 million gasoline gallon equivalents (GGE) of CNG in 2018. That amount is equal to 1,800 residential homes' annual gas usage, making UPS the eleventh largest natural gas customer for the District in 2018.

Total amount of CNG dispensed in M.U.D.'s service area



Equivalent Number of Homes' Annual Gas Usage

Metro Transit entered into an agreement to build a public/private CNG station in 2018. The station will fuel nine CNG para-transits and 14 medium-duty CNG buses currently in operation. Metro Transit is expected to begin operating nine, 60-foot articulating buses for the Bus Rapid Transit system. The total annual consumption for these buses is estimated at 340,000 GGEs, which is equivalent to the annual gas usage of more than 538 residential homes.

Board and management attended Metro Transit's August 23 news conference introducing its fleet of 14 medium-duty CNG buses.

Improving the Customer Experience

In 2018, our customer experience initiatives focused on more proactive communications and working with customers to avoid disruption of service.

Did You Know?

Outbound payment reminder phone calls to customers saved the District nearly $1 million annually.

We launched a service to send payment reminder phone calls to our customers that were delinquent and up for possible disconnection of their gas or water service. From January 30 through December 31, 2018, we made 42,375 calls to customers. We received positive feedback from customers about this efficient and cost-effective program. Over the course of a year, outbound calling saved the District nearly $1 million.

Our field technicians continued to achieve our goal of two-hour appointment windows for customers. Technicians completed 16,000 appointments in 2018 with a 97.2 percent adherence rate. To further improve customer communications, in March 2019, the District implemented a text ahead feature for appointment confirmation and reminders. The series of automated text messages streamlines the process, improves productivity for our technicians and provides for better customer experience.

In 2018, we began offering customers the option to set up recurring electronic check payments to replace the traditional Bank Draft program. This e-check option saves the District significant processing costs compared to bank draft or credit card payments.

These initiatives are just the beginning. A major goal for the District in the coming years is to increase customer outreach to further improve customer satisfaction and success.

Strengthening Ties to the Community

Our employees engaged with the community through various organizations and activities in 2018. A record number of District employees and their families supported the 11th annual Heat the Streets Run & Walk for Warmth. Nearly $75,000 was raised for energy assistance programs. Since 2008, the event has raised more than $1 million to help low-income customers.

Partnership4Kids named M.U.D. its Advocate of the Year for employees' mentoring work.

Twenty-one of our employees volunteered in the Partnership4Kids mentoring program, serving as Book

ORGANIZATIONAL EXCELLENCE

More than 35 employees from across the District collaborated in a sustainability vision and goals workshop in October.

Buddies and Goal Buddies. For their outstanding efforts, the District received "P4K's Advocate of the Year" award for the 2018 school year.

In association with the Greater Omaha Chamber and Metropolitan Community College, we hosted six educators for a week-long internship to learn more about the District. Through the program, the educators take back valuable information to their classrooms and give their students ideas for possible career paths.

$109,400

Amount donated by employees to the community through the annual United Way drive.

During the 2017-2018 year, members of our Employee Speakers Bureau gave 123 presentations on gas, water, safety, and career topics for schools, civic organizations and community events, reaching nearly 153,000 customers.

Employees and retirees participated in the United Way of the Midlands' annual drive, donating $109,400 to support the local community programs, a nearly 10-percent increase in giving from the previous year.

Emphasizing Organizational Excellence

To drive the organization to higher levels of excellence, our new management team is taking a more collaborative, holistic approach across the enterprise. Employees from across the District are working together to find solutions for our biggest challenges, as well as finding new opportunities to help us achieve our goals and objectives.

Leveraging Technology to Improve Processes

In addition to the Text Ahead and recurring e-check initiatives mentioned earlier, our Information Technology Services (ITS) team worked with the Accounting Department to implement a Vendor Invoice Management software to automate the entire process from invoice capturing to paying vendors. The product improves the control and handling of our invoices and allows for better cash management practices.

Stores employees now use iPhones to scan barcoded items to track inventory.

ITS also collaborated with the Stores Department to launch an inventory management system to automate processes and provide real-time inventory. Stores staff barcoded all inventory, allowing team members to use iPhones to scan items and employee ID cards for issuing, returning and receipting material. These implementations have reduced errors, improved inventory tracking and reduced costs.

The Purchasing Department worked with vendors of critical gas piping materials to develop purchasing strategies and broaden vendor bases to maximize the District's ability to acquire materials to assure an undisrupted supply chain. Staff also documented lead times of critical materials which will be used to implement a more managed ordering system through SAP.

Our Measurement Department began using Click Dispatching software to assign meter mechanics' daily work orders, which has allowed them to better manage resources and optimize productivity.

Managing and Updating District Facilities

Our employees are at the center of our success and we are looking at ways to better the employee experience at the District. One way we are doing that is to ensure the District's facilities provide an environment in which employees can perform at their best. The District will begin developing a comprehensive Facilities Master Plan in 2019 to establish a foundation for addressing the District's short- and long-term facility needs.

METROPOLITAN UTILITIES DISTRICT

Financial Statements and Supplemental Schedules

December 31, 2018

(With Independent Auditors' Report Thereon)

METROPOLITAN UTILITIES DISTRICT

Table of Contents

RSM US LLP

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 year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which restated beginning net position and the net other postemployment benefit liability of the business-type activities and each major fund. Our opinions are 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 them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplemental 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 18, 2019

"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 year ended December 31, 2018. 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 20.

Financial Highlights

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

Gas Department

	2018		**2017**	
Sales, volume sold – DTH:		%		%
Firm gas sales	30,744,499	87	25,483,606	86
Interruptible gas sales	4,721,333	13	4,013,805	14
Total gas sales	35,465,832	100	29,497,411	100
Heating degree days	6,329		5,208	
Customers (at December 31):				
Firm customers	230,983		229,342	
Interruptible customers	29		23	
	231,012		229,365	

Gas volumes sold in 2018 increased 5,968,421 DTH, or 20.2% from 2017 due primarily to colder winter weather, as evidenced by the 21.5% increase in the number of heating degree days. There was an increase in firm gas customers in 2018 of 1,641 or .7%; the number of interruptible customers increased by 6, from 23 to 29.

Gas Department Summary of Results of Operations

Firm and interruptible gas sales	$ 219,785,893	92%	$ 186,381,676	91%
Infrastructure charge	13,078,406	6	12,983,793	6
Other	5,224,527	2	4,727,757	3
Less bad debt expense	(501,779)	—	(413,588)	—
Total operating revenues, net	237,587,047	100%	203,679,638	100%
Operating expenses:				
Cost of natural gas	126,286,762	62%	106,365,860	59%
Other operating expenses	77,523,065	38	75,003,512	41
Total operating expenses	203,809,827	100%	181,369,372	100%
Nonoperating revenues (expenses), net	(864,993)		(190,809)	
Change in net position	32,912,227		22,119,457	
Net position, beginning of year (as restated for 2018)	330,190,640		337,157,813	
Net position, end of year	$ 363,102,867		$ 359,277,270	

(*1) 2017 amounts do not reflect the adoption of GASB No. 75.

Revenues for gas sales, net, were up 16.6% in 2018 vs. 2017, due to a 20.2% increase in volumes partially offset by decreased gas costs, the benefit of which is a direct "pass-through" to our customers. The annual revenues for the average residential gas customer were $667.24 in 2018, as compared to $568.25 in 2017, due to the colder Winter temperatures.

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 2018 were up by $22.4 million or 12.4% from 2017. In 2018, the cost of natural gas was $19.9 million, or 18.7% greater than 2017, due to increased volumes ($22.0 million), partially offset by decreased gas cost ($2.1 million). In 2018, other operating expenses were $2.5 million, or 3.4%, higher than 2017 due primarily to: increased distribution operating expense (Locating and Field Services), depreciation and amortization expense, gas production operating expenses (primarily LNG) and increased statutory payments attributed to higher revenues, partially offset by reduced Meter Reading and Credit Service expenses.

Non-operating expenses in 2018 increased by $.7 million due primarily to the write-off of selected information technology-related assets no longer in service, 2018 bond interest expense and bond issuance costs, partially offset by investment earnings on Gas Department cash balances.

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 three 30-year gas purchase agreements, one entered into in 2009 (CPEP #2), one in 2012 (CPEP #3) and a new deal completed in November 2018 (CPEP #4). 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 2018, the CPEP prepaid gas purchase agreements accounted for approximately 43% of the District's annual natural gas requirements, which excludes the impact of CPEP #4, as gas flows associated with this deal will not commence until August 1, 2019.

As stated previously, in November 2018, the District entered into a new 30-year gas supply contract with CPEP (CPEP #4) for approximately 16% of the District's annual gas requirements. This agreement expires on January 31, 2050. Gas flows will commence on August 1, 2019, and the District will achieve total gas cost savings of $6.9 million vs. market prices over the initial five-year term of the deal. After the initial five-year term, CPEP, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

Subsequent to litigation, the 2009 long-term prepaid gas purchase contract (CPEP #2) was renegotiated in 2014. The renegotiated contract provided for the following: 1) $12.5 million up-front proceeds at closing, which 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

In addition to the aforementioned activity with CPEP, the District entered into two additional Gas supply agreements during the year. In February 2018, the District entered into a 30-year gas supply contract with the Public Energy Authority of Kentucky (PEAK) for approximately five percent of our annual gas requirements. Gas flows commenced on April 1, 2018, and the District will achieve total gas cost savings of $1.7 million vs. market prices over the initial five-year term of the deal. After the initial five-year term, PEAK, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement. In March 2018, the District entered into a 30-year gas supply contract with the Black Belt Energy Gas District (Black Belt) for approximately three percent of our annual gas requirements. Gas flows commenced on November 1, 2018, and the District will achieve total gas cost savings of $1.8 million vs. market prices over the initial five-year term of the deal. After the initial five-year term, Black Belt, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

METROPOLITAN UTILITIES DISTRICT

Management's Discussion and Analysis

December 31, 2018 and 2017

Gas Department Summary Financial Position

	2018	2017 (*1)
Plant in service, net	$ 433,060,254	$ 417,087,906
Noncurrent assets	17,210,164	631,799
Current assets	174,427,601	142,963,446
Total assets	624,698,019	560,683,151
Deferred outflows of resources		
Pension amounts	18,192,808	4,050,289
OPEB amounts	1,329,047	-
Total deferred outflows of resources	19,521,855	4,050,289
Total assets and deferred outflows of resources	$ 644,219,874	$ 564,733,440
Deferred inflows of resources		
Pension amounts	$ 3,457,932	$ 10,554,908
OPEB amounts	30,381,030	-
Contributions in aid of construction	41,250,869	41,267,726
Total deferred inflows of resources	75,089,831	51,822,634
Current liabilities	63,235,523	58,557,128
Noncurrent liabilities	142,791,653	95,076,408
Total liabilities	206,027,176	153,633,536
Net position		
Net investment in capital assets	374,958,740	375,101,336
Restricted	187,293	-
Unrestricted	(12,043,166)	(15,824,066)
Total net position	363,102,867	359,277,270
Total liabilities, deferred inflows of resources, and net position	$ 644,219,874	$ 564,733,440

(*1) 2017 amounts do not reflect the adoption of GASB No. 75.

Gas Department Long-Term Debt Activity

The following table summarizes the long-term debt of the Gas Department at December 31, 2018 and 2017.

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Gas Revenue Bonds				
Series 2018	$ -	$ 31,605,000	$ -	$ 31,605,000
Plus unamortized premium	-	1,383,813	61,191	1,322,622
CNG promissory note	718,844	-	233,807	485,037
Total Long-Term Debt	$ 718,844	$ 32,988,813	$ 294,998	$ 33,412,659

On June 28, 2018 the District issued $31,605,000 of Gas Department Revenue Bonds Series 2018; the all-in cost of funds associated with the offering is 3.296 percent. The proceeds of the sale of the 2018 bonds are being used, together with other available funds, to finance a portion of the costs of improvements to the District's Gas System, including replacement of cast iron gas mains throughout the District's service area and infrastructure improvements to the Gas System. The first principal payment on the bonds is due on December 1, 2019. At December 31, 2018, $16.5 million of the bond proceeds remained. The remaining long-term debt, the CNG promissory note, 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 Long-Term Debt Covenant Compliance

Gas Revenue Bonds Series 2018

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

Funds available for debt service exceeded amounts required by covenants by approximately $52.7 million. Please see the chart below for debt service coverage ratio information:

	2018
Debt service coverage ratios	25.55x
Debt service coverage requirements	1.20x

Credit Ratings and Liquidity

In support of the 2018 Gas Department revenue bond issuance, a presentation was made to Moody's Investors Service as a basis for obtaining an independent credit rating. On June 5, 2018, Moody's assigned a rating of Aa2 to the Series 2018 bond offering. The favorable credit rating enabled the District to issue bonds at an all-in cost of 3.296 percent, as stated previously.

The District continues to focus on maintaining strong liquidity for the Gas Department through adherence to disciplined financial and operational management practices. These efforts have resulted in consistently strong liquidity as demonstrated by "days cash on hand" of 216 days at year end 2018 as compared with 215 days at year-end 2017 and 255 days at year end 2016.

The Gas Department's liquidity is further enhanced by a $30,000,000 unsecured line of credit that may be drawn upon by both the Gas and Water Departments. The current Loan Agreement matures June 1, 2021. The interest rate on the line of credit is variable and is calculated based on the "One Month London Interbank Offered Rate (LIBOR)" plus 50 basis points. As of December 31, 2018, the interest rate was 2.8493% and no amount was outstanding. The District did not draw on the line of credit during 2018.

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 280 miles, over the next nine years; the District expended $18.0 million to improve infrastructure and replace cast iron gas mains in 2018 and $19.7 million in 2017. Significant projects in 2018 and 2017 are as follows:

In 2018, capital and construction-related costs totaled $39.3 million, consisting of:

1) cast iron infrastructure replacement $18.0 million (discussed above);
2) other gas mains and distribution $12.7 million;
3) buildings, land and equipment $3.1 million;
4) information technology-related $$1.2 million;
5) vehicles, equipment and all other general plant $4.3 million.

In 2017, capital and construction-related costs totaled $41.1 million, consisting of:

1) cast iron 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 $4.4 million.

Water Department

	2018	**2017**
Water sales (million gallons)	28,483.0	30,059.0

In 2018, the volume of water sales decreased 1,576.0 million gallons vs. prior year, or 5.2%, due in part to full year precipitation levels that were 6 inches above normal (36.8 inches for the year), coupled with the fact that 2017 precipitation levels were 4 inches below normal (26.4 inches for the year). Varying precipitation levels have the greatest impact on commercial and residential sprinkling volumes.

	2018	**2017**
Customers (December 31)	216,180	214,142

The number of customers at the end of 2018 increased 2,038, or 1.0% over 2017.

Water Department Summary of Results of Operations

	2018		**2017 (*1)**	
Operating revenues:				
Water sales	$ 101,244,655	84%	$ 103,479,774	84%
Infrastructure charge	14,710,635	13	14,546,568	12
Other	3,997,328	3	4,494,121	4
Less bad debt expense	(169,421)	—	(192,277)	—
Total operating revenues, net	119,783,197	100%	122,328,186	100%
Operating expenses	91,730,706		92,744,154	
Nonoperating expenses net	5,881,868		6,717,715	
Change in net position	22,170,623		22,866,317	
Net position, beginning of year (as restated for 2018)	290,848,999		293,844,710	
Net position, end of year	$ 313,019,622		$ 316,711,027	

(*1) 2017 amounts do not reflect the adoption of GASB No. 75.

Operating revenues, net, decreased 2.1% in 2018 due to decreased usage associated with precipitation levels that were 6 inches above normal and more than 10 inches greater than 2017 levels. The impact of decreased usage was partially offset by a 2.5% increase to the Commodity component of rates in 2018. The annual revenues for the average residential water customer were $345.02 in 2018 compared to $355.81 in 2018.

Total operating expenses in 2018 were down by $1.0 million, or 1.1%, due primarily to decreased distribution maintenance expense (decreased main breaks vs. prior year), decreased Meter Reading expense and decreased Credit Service expenses, partially offset by increased depreciation and amortization expense.

Non-operating expenses decreased by $.8 million in 2018 due primarily to increased interest income on investable cash balances partially offset by bond issuance expenses associated with the Series 2018 water revenue bond.

Water Summary Financial Position

	2018	2017 (*1)
Plant in service, net	$ 883,751,308	$ 853,179,220
Current assets	119,651,472	106,958,728
Noncurrent assets	35,633,585	12,698,840
Total assets	1,039,036,365	972,836,788
Deferred outflows of resources		
Pension amounts	14,691,640	3,340,750
OPEB amounts	1,074,293	—
Debt refunding	3,756,589	4,285,703
Total deferred outflows of resources	19,522,522	7,626,453
Total assets and deferred outflows of resources	$ 1,058,558,887	$ 980,463,241
Deferred inflows of resources		
Pension amounts	$ 2,839,878	$ 8,621,839
OPEB amounts	24,557,542	—
Contributions in aid of construction	305,208,722	296,727,173
Total deferred inflows of resources	332,606,142	305,349,012
Current liabilities	76,083,058	61,845,746
Noncurrent liabilities	336,850,065	296,557,456
Total liabilities	412,933,123	358,403,202
Net position:		
Net investment in capital assets	365,499,513	348,129,966
Restricted	1,904,008	1,654,424
Unrestricted	(54,383,899)	(33,073,363)
Total net position	313,019,622	316,711,027
Total liabilities, deferred inflows of resources, and net position	$ 1,058,558,887	$ 980,463,241

(*1) 2017 amounts due not reflect the adoption of GASB No. 75.

Water Department Long-Term Debt Activity

The following table summarizes the long-term debt of the Water Department at December 31, 2018 and 2017:

	Balance at December 31 ,2017	Increases	Decreases	Balance at December 31 ,2018
Water Revenue Bonds				
Series 2018	$ -	$ 37,390,000	$ -	$ 37,390,000
Plus unamortized premium	-	1,255,573	29,232	1,226,341
Water Revenue Bonds				
Series 2015	174,035,000	-	7,915,000	166,120,000
Plus unamortized premium	11,001,529	-	1,327,812	9,673,717
Water Revenue Bonds				
Series 2012	33,430,000	-	1,735,000	31,695,000
Plus unamortized premium	1,938,437	-	129,513	1,808,924
NDEQ Note Payable #2	4,158,529	-	271,241	3,887,288
Total Long Term Debt	$ 224,563,495	$ 38,645,573	$ 11,407,798	$ 251,801,270

On September 27, 2018 the District issued $37,390,000 of Water Revenue Bonds Series 2018; the all-in cost of funds associated with the offering is 3.225 percent. The proceeds of the sale of the 2018 bonds are being used, together with other available funds, to finance a portion of the costs of improvements to the District's Water System, including multiple projects undertaken to upgrade the Florence Water Treatment Plant and other improvements to the District's Water System. The first principal payment on the bonds is due on December 1, 2019. At December 31, 2018, $32.0 million of the bond proceeds remained.

At December 31, 2018 and 2017, the District's long-term debt included $166,120,000 and $174,035,000 respectively of Series 2015 bonds outstanding. During 2018 and 2017, respectively, the District made principal payments of $7,915,000 and $7,530,000 towards its outstanding Series 2015 water revenue bonds.

At December 31, 2018 and 2017, the District's long-term debt included $31,695,000 and $33,430,000, respectively, of Series 2012 bonds outstanding. During 2018 and 2017, respectively, the District made principal payments of $1,735,000 and $1,680,000 towards its outstanding Series 2012 water revenue bonds.

In 2009, the District entered into an American Recovery and Reinvestment Act loan agreement with the NDEQ for the construction of a contact basin located near its Platte South Water Treatment Plant; the loan is at a 2% interest rate per annum (NDEQ Note Payable #2). This loan provided for $1,089,775 in loan forgiveness in the form of a grant, at project completion. At December 31, 2018 and 2017, long term obligations for this note were $3,887,288 and $4,158,529 respectively. During 2018 and 2017, the District made principal payments of $271,241 and $265,896 respectively pursuant to this note payable.

Water Department Long-Term Debt Covenant Compliance

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

The District was in compliance with the provisions of the Water Revenue Series 2012, Water Revenue Series 2015 and Water Revenue Series 2018 bond covenants at December 31, 2018 and 2017. 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 $24.0 million and $29.9 million for 2018 and 2017 respectively. Please see the chart below for debt service coverage ratio information:

	2018	2017
Debt service coverage ratios	2.74x	3.14x
Debt service coverage requirements	1.20x	1.20x

Credit Ratings and Liquidity

In support of the 2018 Water Department revenue bond issuance, a presentation was made to Moody's Investors Service as a basis for obtaining an independent credit rating. On August 2, 2018, Moody's assigned a rating of Aa2 to the Series 2018 bond offering. The favorable credit rating enabled the District to issue bonds at an all-in cost of 3.225 percent, as stated previously.

The District continues to focus on maintaining strong liquidity for the Water Department through adherence to disciplined financial and operational management practices. These efforts have resulted in a significant improvement in liquidity as demonstrated by improved "days cash on hand", increasing to 417 days at year-end 2018 as compared with 357 days at year-end 2017 and 238 days at year end 2016.

The Water Department's liquidity is further enhanced by a $30,000,000 unsecured line of credit that may be drawn upon by both the Gas and Water Departments. The current Loan Agreement matures June 1, 2021. The interest rate on the line of credit is variable and is calculated based on the "One Month London Interbank Offered Rate (LIBOR)" plus 50 basis points. As of December 31, 2018, the interest rate was 2.8493% and no amount was outstanding. The District did not draw on the line of credit during 2018.

Water Department Capital Asset Activity

Significant projects in 2018 and 2017 are as follows:

• In 2018, capital and construction-related costs totaled $53.2 million; significant expenditures for projects completed or in process included:

1) Infrastructure replacement (i.e. Cast Iron main abandonment/replacement): $7.0 million;
2) Other water mains and distribution: $23.7 million;
3) Florence water treatment plant – Chemical building architectural, mechanical, structural and electrical improvements: $15.3 million;
4) Florence water treatment plant – Minne Lusa high service pump architectural, mechanical, structural and electrical improvements: $1.9 million;
5) Construction machines: $1.2 million;
6) Platte West water treatment plant – well abandonment/replacement: $.6 million.

• In 2017, capital and construction-related costs totaled $41.4 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.

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

Statement of Net Position

December 31, 2018

Assets and Deferred Outflows of Resources	Gas Department	Water Department	Eliminations	Business-type Activities Total
Capital assets:				
Utility plant in service	$ 615,192,112	1,131,651,797	—	1,746,843,909
Less accumulated depreciation	192,871,595	288,801,342	—	481,672,937
	422,320,517	842,850,455	—	1,265,170,972
Construction in progress	10,739,737	40,900,853	—	51,640,590
Net capital assets	433,060,254	883,751,308	—	1,316,811,562
Noncurrent assets:				
Cash and cash equivalents – restricted	3,754,586	9,399,758	—	13,154,344
Investments - restricted	12,807,428	25,771,941	—	38,579,369
Other noncurrent assets	648,150	461,886	—	1,110,036
Total noncurrent assets	17,210,164	35,633,585	—	52,843,749
Current assets:				
Cash and cash equivalents	108,816,238	86,722,620	—	195,538,858
Cash and cash equivalents – restricted	187,293	1,731,917	—	1,919,210
Accounts receivable – customers and others, less allowance for doubtful accounts	41,966,817	26,536,290	—	68,503,107
Interdepartmental receivable	3,229,529	—	(3,229,529)	—
Natural gas in storage	9,536,178	—	—	9,536,178
Propane in storage	4,150,179	—	—	4,150,179
Materials and supplies	3,161,140	2,734,297	—	5,895,437
Construction materials	2,341,745	1,819,154	—	4,160,899
Prepayments	1,038,482	107,194	—	1,145,676
Total current assets	174,427,601	119,651,472	(3,229,529)	290,849,544
Total assets	624,698,019	1,039,036,365	(3,229,529)	1,660,504,855
Deferred Outflows of Resources				
Pension amounts	18,192,808	14,691,640	—	32,884,448
OPEB amounts	1,329,047	1,074,293	—	2,403,340
Deferred charge on refunding	—	3,756,589	—	3,756,589
Total deferred outflows of resources	19,521,855	19,522,522	—	39,044,377
Total assets and deferred outflows of resources	$ 644,219,874	1,058,558,887	(3,229,529)	1,699,549,232

See accompanying notes to basic financial statements.

Liabilities, Deferred Inflows and Net Position	Gas Department	Water Department	Eliminations	Business-type Activities Total
Net position:				
Net investment in capital assets	$ 374,958,740	365,499,513	—	740,458,253
Restricted:				
Environmental	—	172,091	—	172,091
Debt service requirements-sinking fund	187,293	1,731,917	—	1,919,210
Unrestricted	(12,043,166)	(54,383,899)	—	(66,427,065)
Total net position	363,102,867	313,019,622	—	676,122,489
Deferred inflows of resources				
Pension amounts	3,457,932	2,839,878	—	6,297,810
OPEB amounts	30,381,030	24,557,542	—	54,938,572
Contributions in aid of construction	41,250,869	305,208,722	—	346,459,591
Total deferred inflows of resources	75,089,831	332,606,142	—	407,695,973
Noncurrent liabilities:				
Long-term debt, excluding current installments	32,132,822	240,149,578	—	272,282,400
Self-insured risks	122,584	178,920	—	301,504
Net pension liability	46,959,548	38,597,012	—	85,556,560
Net OPEB liability	62,468,217	56,772,566	—	119,240,783
Other accrued expenses	1,108,482	1,151,989	—	2,260,471
Total noncurrent liabilities	142,791,653	336,850,065	—	479,641,718
Current liabilities:				
Accounts payable	34,905,976	8,437,697	—	43,343,673
Customer deposits	17,105,465	4,863,421	—	21,968,886
Customer advances for construction	683,327	19,229,425	—	19,912,752
Interdepartmental payable	—	3,229,529	(3,229,529)	—
Sewer fee collection due to municipalities	—	23,047,515	—	23,047,515
Statutory payment due to municipalities	1,291,953	515,000	—	1,806,953
Other accrued expenses	2,780,929	2,890,079	—	5,671,008
Current installments of long-term debt	1,279,837	11,651,692	—	12,931,529
Accrued interest	100,452	754,222	—	854,674
Self-insured risks	834,712	1,464,478	—	2,299,190
Other liabilities	2,427,872	—	—	2,427,872
Unearned gas purchase discounts	1,825,000	—	—	1,825,000
Total current liabilities	63,235,523	76,083,058	(3,229,529)	136,089,052
Total liabilities	206,027,176	412,933,123	(3,229,529)	615,730,770
Total liabilities, deferred inflows of resources, and net position	$ 644,219,874	1,058,558,887	(3,229,529)	1,699,549,232

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position

Year ended December 31, 2018

	Gas Department	Water Department	Business-type Activities Total
Operating revenues:			
Charges for services	$ 238,088,826	119,952,618	358,041,444
Less bad debt expense	501,779	169,421	671,200
Charges for services, net	237,587,047	119,783,197	357,370,244
Operating expenses:			
Cost of natural gas	126,286,762	—	126,286,762
Operating and maintenance	57,926,952	75,354,382	133,281,334
Depreciation and amortization	15,799,471	14,758,448	30,557,919
Payment in lieu of taxes	3,796,642	1,617,876	5,414,518
Total operating expenses	203,809,827	91,730,706	295,540,533
Operating income	33,777,220	28,052,491	61,829,711
Nonoperating revenues (expenses):			
Investment income, net	1,737,469	968,315	2,705,784
Other expense	(2,063,342)	(146,203)	(2,209,545)
Interest expense	(539,120)	(6,703,980)	(7,243,100)
Total nonoperating revenues (expenses), net	(864,993)	(5,881,868)	(6,746,861)
Change in net position	32,912,227	22,170,623	55,082,850
Net position, beginning of year, as restated	330,190,640	290,848,999	621,039,639
Net position, end of year	$ 363,102,867	313,019,622	676,122,489

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statement of Cash Flows

Year ended December 31, 2018

	Gas Department	Water Department	Business-type Activities Total
Cash flows from operating activities:			
Receipts from customers	$ 223,280,891	117,911,161	341,192,052
Payments to suppliers	(141,296,178)	(50,054,014)	(191,350,192)
Cash collections on behalf of other governments	—	164,428,132	164,428,132
Cash disbursements to other governments	—	(156,876,824)	(156,876,824)
Payments to employees	(37,780,572)	(30,606,441)	(68,387,013)
Payments in lieu of taxes	(3,796,642)	(1,617,876)	(5,414,518)
Net cash provided by operating activities	40,407,499	43,184,138	83,591,637
Cash flows from noncapital financing activities:			
Interdepartmental loans and advances	(4,498,322)	4,498,322	—
Net cash provided by (used in) noncapital financing activities	(4,498,322)	4,498,322	—
Cash flows from capital and related financing activities:			
Plant additions	(36,898,792)	(49,737,588)	(86,636,380)
Plant removal/retirement costs	(3,620,418)	(274,942)	(3,895,360)
Debt issuance costs	(375,881)	(305,932)	(681,813)
Payments on long-term debt	(233,806)	(9,921,240)	(10,155,046)
Proceeds from issuance of debt	32,988,813	38,645,573	71,634,386
Customer advances/CIAC	1,057,085	15,786,046	16,843,131
Interest paid	(580,768)	(8,508,020)	(9,088,788)
Net cash used in capital and related financing activities	(7,663,767)	(14,316,103)	(21,979,870)
Cash flows from investing activities:			
Interest received	1,737,469	968,315	2,705,784
Purchase of investments	(12,807,428)	(25,771,941)	(38,579,369)
Net cash used in investing activities	(11,069,959)	(24,803,626)	(35,873,585)
Net increase in cash and cash equivalents	17,175,451	8,562,731	25,738,182
Cash and cash equivalents, beginning of year	95,582,666	89,291,564	184,874,230
Cash and cash equivalents, end of year	$ 112,758,117	97,854,295	210,612,412
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 33,777,220	28,052,491	61,829,711
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization			
Depreciation charged to depreciation and amortization	15,502,074	14,393,096	29,895,170
Depreciation charged to operating and maintenance	4,468,502	832,250	5,300,752
Amortization charged to depreciation and amortization	297,397	365,352	662,749
Amortization charged to operating and maintenance	1,914,113	163,198	2,077,311
Cash flows impacted by changes in:			
Amounts due from customers and others	(14,782,355)	(2,041,458)	(16,823,813)
Natural gas, propane, materials, supplies, and prepayments	237,209	(225,813)	11,396
Other noncurrent assets	(16,348)	109,387	93,039
Accounts payable and other	6,594,405	2,646,139	9,240,544
Customer deposits	(4,581,420)	514,292	(4,067,128)
Self-insurance and other liabilities	(177,870)	203,176	25,306
Net pension liability	25,427,796	20,553,754	45,981,550
Deferred inflows pension	(7,096,976)	(5,781,961)	(12,878,937)
Deferred outflows pension	(14,142,519)	(11,350,890)	(25,493,409)
Net OPEB liability	(33,565,712)	(28,732,124)	(62,297,836)
Deferred inflows OPEB	30,381,030	24,557,542	54,938,572
Deferred outflows OPEB	(1,329,047)	(1,074,293)	(2,403,340)
Unearned gas purchase discounts	(2,500,000)	—	(2,500,000)
Net cash provided by operating activities	$ 40,407,499	43,184,138	83,591,637
Supplemental schedules of noncash capital and related financing items:			
Capitalized interest	$ 80,908	922,415	1,003,323
Construction in Accounts Payable	1,439,939	5,297,527	6,737,466

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT
Statement of Fiduciary Net Position
Pension and Other Post Employment Benefits
December 31, 2018

Assets	
Cash, Investments and pooled separate accounts	$ 402,646,777
Liabilities	-
Net position held in trust for pension and other post employment benefits	$ 402,646,777

See accompanying notes to basic financial statements

METROPOLITAN UTILITIES DISTRICT
Statement of Changes in Fiduciary Net Position
Pension and Other Post Employment Benefits
Year Ended December 31, 2018

Additions:	
Investment income (loss), net appreciation (depreciation) in the fair value of pooled separate accounts, interest and dividends, net of investment expense	$ (22,344,006)
Employer contributions	24,056,434
Employee contributions	3,805,373
Total additions	5,517,801
Deductions:	
Benefit payments	19,116,693
Administrative expenses	98,134
Total deductions	19,214,827
Net decrease	(13,697,026)
Net position held in trust for pension and OPEB benefits	
Beginning of year	416,343,803
End of year	$ 402,646,777

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 four items that meet the criterion for reporting as deferred outflows on the statement of net position: the deferred charge on refunding, the changes of actuarial assumptions used in the measurement of total pension liability, the differences between projected and actual earnings on pension plan investments and the differences between projected and actual earnings on OPEB plan investments. 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. The difference between projected and actual earnings on pension and OPEB plan investments is recognized in expense over a five-year period, as of the beginning of each measurement period.

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 changes in actuarial assumptions used in the measurement of total OPEB liability. As described below, CIAC is included in depreciation expense and amortized over the estimated useful lives of the related utility plant. The difference between expected and actual experience and the changes in actuarial assumptions in the measurement of the pension and OPEB liabilities is recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period.

(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 of $80,908 was capitalized on Gas Department projects in 2018. Interest of $922,415 was capitalized on Water Department projects in 2018. 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:

Water Department	2.1%
Gas Department	3.5

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

(f) Net Position

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

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

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

(g) Bond Premium and Discounts

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

(h) Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand accounts, overnight repurchase agreements, and short-term liquid investments purchased with an original maturity of 90 days or less. At December 31, 2018, the Gas Department held $16.6 million in noncurrent "Cash and cash equivalents – restricted" and "Investments – restricted" which consists of proceeds remaining from the Gas System Revenue Bond Series 2018 issued in June 2018. These proceeds will be expended for the replacement of cast iron gas mains throughout the District's service area and infrastructure improvements to the Gas System. At December 31, 2018, the Gas Department also held current "Cash and cash equivalents – restricted" of $0.2 million pursuant to various bond resolutions.

At December 31, 2018, the Water Department held $35.2 million in noncurrent "Cash and cash equivalents – restricted" and "Investments – restricted" which is made up of $0.2 million in funds required by the Nebraska Game and Parks Commission for environmental mitigation of wetlands, $3.0 million pursuant to various bond resolutions, and $32.0 million of proceeds remaining from the Water System Revenue Bond Series 2018 issued in September 2018, which will be expended to upgrade the District's Florence Water Treatment Plant and for other improvements to the District's Water System. At December 31, 2018, the Water Department also held current "Cash and cash equivalents – restricted" of $1.7 million pursuant to various bond resolutions.

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

(i) Accounts Receivable and Unbilled Revenue

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

(j) Inventories

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

(k) Compensated Absences

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

(l) Revenues

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

Gas	$ 19,971,850
Water	3,371,865

(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, 2018, the Gas Department reflected a receivable from the Water Department and the Water Department reflected a payable to the Gas Department of $3,229,529. 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 $23,047,515 as of December 31, 2018. These fees have been reflected in the District’s statement of net position and amounts collected were remitted to the cities subsequent to year-end. Processing fees billed to the cities for billing and collection services provided by the District totaled approximately $5.0 million in 2018. These processing fees have been reflected as a reduction to operating and maintenance expenses in the District’s statement of revenue, expenses, and changes in net position. The cities’ fees reflect only the expenses incurred by the District to bill and collect the cities’ charges.

(o) Pensions

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

(p) Other Postemployment Benefits

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

(q) Use of Estimates

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

(r) Recent Accounting Pronouncements

GASB Statement No. 87, *Leases*, issued in June 2017, 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in March 2018. This Statement will be effective for the District beginning with its year ending December 31, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The District is currently assessing the impact of this Statement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* was issued in June 2018. Statement No. 89 is designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement is effective for reporting periods beginning after December 15, 2019, and requirements are to be applied prospectively. The District has elected to implement Statement No. 89 early beginning with its fiscal year ending December 31, 2019.

(2) Impact of Adoption of New Accounting Standard

The District has implemented GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* for the fiscal year ending December 31, 2018 (GASB 75). This Statement, which replaces GASB Statement No. 45, requires governmental entities to report a liability on the financial statement for OPEB. GASB 75 also provides additional requirements for note disclosures and required supplementary information.

The effect of adopting GASB 75 was as follows:

	Gas Department	Water Department	Total
Net position at December 31, 2017, as previously reported	$ 359,277,270	316,711,027	675,988,297
Reverse postretirement obligation	66,947,301	59,642,661	126,589,962
Record net OPEB liability	(96,033,931)	(85,504,689)	(181,538,620)
Net position at December 31, 2017, as restated	$ 330,190,640	290,848,999	621,039,639

(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, 2018, 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, 2018, the District had the following investments and maturities:

		Investment Maturities in Years			Rating
Investment Type	**Fair Value**	**Less Than One**	**1-5**	**Hierarchy Level**	**Standard & Poors**
U.S. Treasury and agency obligations	$ 15,339,262	10,284,362	5,054,900	1	AA+
Corporate bonds and notes	14,061,817	12,556,072	1,505,745	1	A- to AA+
Foreign bonds	2,586,899	2,586,899	—	1	AA-
Commercial paper	6,591,391	6,591,391	—	1	Not rated
	$ 38,579,369	32,018,724	6,560,645		

As of December 31, 2018, the District's fiduciary funds had the following investments.

Investment Type		Fair Value			Hierarchy
		Pension Plan	OPEB	Total	Level
Mutual Funds:					
Fixed Income Funds	$	129,382,864	6,409,422	135,792,286	1
Domestic Equity Funds		158,710,068	11,346,023	170,056,091	1
International Equity Funds		88,516,853	6,680,442	95,197,295	1
	$	376,609,785	24,435,887	401,045,672	

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

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

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

Rate of return: For the year ended December 31, 2018, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was -5.2%. For the year ended December 31, 2018, the annual money weighted rate of return on OPEB plan investments, net of OPEB plan expense was -8.0%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

	Target Allocation	
Asset Class	**Pension Plan**	**OPEB**
Domestic (U.S.) Equities	36.0 %	40.0 %
International (Non-U.S.) Equities	24.0	27.0
U.S. Aggregate Bonds	14.0	7.0
International Bonds	3.0	3.0
Intermediate Term Credit	5.0	5.0
Short Term Credit	5.0	5.0
Intermediate Term TIPS	5.0	5.0
REITS	8.0	8.0
Total	100.0 %	100.0 %

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

Custodial credit risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District and the pension and OPEB plans do not have a policy for custodial credit risk. As of December 31, 2018, the District’s investments were not exposed to custodial credit risk because they were registered in the District’s name and held by the counterparty or the counterparty’s trust department. The mutual funds (equity and debt funds) of the pension and OPEB plans are not exposed to custodial credit risk.

(4) Utility Plant

Utility plant at December 31, 2018 is summarized as follows:

	Gas Department	Water Department	Total
Utility plant in service:			
Depreciable	$ 610,353,182	1,118,853,173	1,729,206,355
Nondepreciable (land)	4,838,930	12,798,624	17,637,554
Total	615,192,112	1,131,651,797	1,746,843,909
Construction in progress (nondepreciable)	10,739,737	40,900,853	51,640,590
	625,931,849	1,172,552,650	1,798,484,499
Less:			
Accumulated depreciation	(192,871,595)	(288,801,342)	(481,672,937)
	$ 433,060,254	883,751,308	1,316,811,562

The provision for depreciation expense is as follows:

	Gas Department	Water Department	Total
Charged to depreciation	$ 15,502,074	14,393,096	29,895,170
Charged to operating and maintenance	4,468,502	832,250	5,300,752
	$ 19,970,576	15,225,346	35,195,922

The depreciation expense presented above includes a reduction of expense of $7,273,312 for the year ended December 31, 2018 due to the amortization of CIAC.

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance, beginning of year	Increases	Decreases	Balance, end of year
Gas Department:				
Utility plant in service	$ 597,112,263	37,327,962	(19,248,113)	615,192,112
Construction in progress	10,860,193	37,184,422	(37,304,878)	10,739,737
Accumulated depreciation	(190,884,550)	(20,822,864)	18,835,819	(192,871,595)
	$ 417,087,906	53,689,520	(37,717,172)	433,060,254
Water Department:				
Utility plant in service	$ 1,093,314,388	42,200,781	(3,863,372)	1,131,651,797
Construction in progress	30,921,408	52,236,126	(42,256,681)	40,900,853
Accumulated depreciation	(271,056,576)	(21,646,365)	3,901,599	(288,801,342)
	$ 853,179,220	72,790,542	(42,218,454)	883,751,308
	$ 1,270,267,126	126,480,062	(79,935,626)	1,316,811,562

(5) Long-Term Obligations

Activity in long-term obligations for the year ended December 31, 2018 is as follows:

	Balance, beginning of year, as restated	Increases	Decreases	Balance, end of year	Due within one year
Water Revenue Bonds					
Series 2018	$ —	37,390,000	—	37,390,000	1,255,000
Plus unamortized premium	—	1,255,573	29,232	1,226,341	—
Water Revenue Bonds					
Series 2015	174,035,000	—	7,915,000	166,120,000	8,320,000
Plus unamortized premium	11,001,529	—	1,327,812	9,673,717	—
Water Revenue Bonds					
Series 2012	33,430,000	—	1,735,000	31,695,000	1,800,000
Plus unamortized premium	1,938,437	—	129,513	1,808,924	—
NDEQ note payable	4,158,529	—	271,241	3,887,288	276,692
CNG promissory note	718,844	—	233,807	485,037	239,837
Gas Revenue Bonds					
Series 2018	—	31,605,000	—	31,605,000	1,040,000
Plus unamortized premium	—	1,383,813	61,191	1,322,622	—
Net OPEB liability	181,538,620	—	62,297,837	119,240,783	—
Net pension liability	39,575,011	45,981,549	—	85,556,560	—
Self-insured risks	2,546,508	3,138,665	3,084,479	2,600,694	2,299,190
Other accrued expenses	8,287,534	5,696,470	6,052,525	7,931,479	5,671,008
	$ 457,230,012	126,451,070	83,137,637	500,543,445	20,901,727

(a) Notes Payable

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

The Platte South contact basin project was completed in late 2012, with total direct project costs of $6,886,837, resulting in total committed loan funds of $5,797,062. During 2018, the District paid back $271,241 as principal. The note payable requirements to maturity, June 15, 2031, for the NDEQ note payable are as follows:

		Principal	Interest	Administrative fee	Total
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		299,618	53,443	26,722	379,783
2024-2028		1,590,884	174,424	87,212	1,852,520
2029-2031		856,198	25,845	12,921	894,964
	$	3,887,288	525,370	262,685	4,675,343

(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, 2018 consist of:

	Interest rate		Annual installment	Principal outstanding
Series 2012 bonds:				
Serial	2.000% - 4.000%	$	1,185,000 - 2,335,000	18,420,000
Term	3.0		2,455,000 - 2,865,000	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
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	2,020,000	849,444	2,869,444
2024 – 2028	11,300,000	2,974,619	14,274,619
2029 – 2032	10,820,000	861,717	11,681,717
	$ 31,695,000	8,714,006	40,409,006

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 $1,735,000 and $1,182,094, respectively, were paid on these bonds in 2018. Total water revenues for the year ended December 31, 2018 were $119,952,618.

Water Revenue Bonds Series 2015

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

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and cash equivalents are classified as restricted on the statement of net position. The District has pledged future water revenues to repay the 2015 Bonds. The 2015 Bonds are payable solely from water revenues and are payable through 2035. Principal and interest payments of $7,915,000 and $6,958,755, respectively, were paid on these bonds in 2018. Total water revenues for the year ended December 31, 2018 were $119,952,618.

The balance, annual installments, and interest rates at December 31, 2018 consist of:

	Interest rate	Annual installment	Principal outstanding
Series 2015 bonds:			
Serial	2.850% - 5.000%	$ 7,330,000 - 14,115,000	158,300,000
Term	3.500	2,520,000 - 2,695,000	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
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		10,155,000	4,766,255	14,921,255
2024 – 2028		58,295,000	16,425,620	74,720,620
2029 – 2033		56,435,000	5,863,633	62,298,633
2034 – 2035		5,300,000	279,825	5,579,825
	$	166,120,000	51,004,353	217,124,353

Water Revenue Bonds Series 2018

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

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

The District has pledged future water revenues to repay the 2018 Water Bonds. The 2018 Water Bonds are payable solely from water revenues and are payable through 2038. Interest payments of $244,439 were paid on these bonds in 2018. Total water revenues for the year ended December 31, 2018 were $119,952,618.

The balance, annual installments, and interest rates at December 31, 2018 consist of:

	Interest rate		Annual installment	Principal outstanding
Series 2018 bonds:				
Serial	2.500% - 5.000%	$	1,255,000 - 2,540,000	37,390,000

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

		Principal	Interest	Total
2019	$	1,255,000	1,374,969	2,629,969
2020		1,315,000	1,312,219	2,627,219
2021		1,355,000	1,272,769	2,627,769
2022		1,425,000	1,205,019	2,630,019
2023		1,495,000	1,133,769	2,628,769
2024 – 2028		8,525,000	4,617,719	13,142,719
2029 – 2033		10,110,000	3,030,094	13,140,094
2034 – 2038		11,910,000	1,229,398	13,139,398
	$	37,390,000	15,175,956	52,565,956

Series 2012, Series 2015 and Series 2018 Debt Service Requirements

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

		Principal	Interest	Total
2019	$	11,375,000	9,050,668	20,425,668
2020		11,925,000	8,499,918	20,424,918
2021		12,480,000	7,948,568	20,428,568
2022		13,060,000	7,363,068	20,423,068
2023		13,670,000	6,749,468	20,419,468
2024 – 2028		78,120,000	24,017,958	102,137,958
2029 – 2033		77,365,000	9,755,444	87,120,444
2034 – 2038		17,210,000	1,509,223	18,719,223
	$	235,205,000	74,894,315	310,099,315

Series 2012, Series 2015 and Series 2018 Debt Covenant Compliance

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

Charges and assessments exceeded amounts required by covenants by approximately $24.0 million for 2018; funds available for debt service were equal to 2.7 times average debt service costs in 2018.

(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
2019	$	239,837	9,489	249,326
2020		245,200	3,406	248,606
	$	485,037	12,895	497,932

(d) Gas Revenue Bonds

Gas Revenue Bonds Series 2018

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

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and cash equivalents are classified as restricted on the statement of net position. The remaining net proceeds from the 2018 Gas Bonds will be used to finance a portion of the costs of replacement of cast iron gas mains throughout the District's service area.

The District has pledged future gas revenues to repay the 2018 Gas Bonds. The 2018 Gas Bonds are payable solely from gas revenues and are payable through 2038. Interest payments of $512,307 were paid on these bonds in 2018. Total gas revenues for the year ended December 31, 2018 were $238,088,826.

The balance, annual installments, and interest rates at December 31, 2018 consist of:

	Interest rate		Annual installment	Principal outstanding
Series 2018 bonds:				
Serial	2.750% - 5.000%	$	1,040,000 - 2,175,000	22,200,000
Term	3.500% - 4.000%	$	1,650,000 - 2,095,000	9,405,000

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

	Principal	Interest	Total
2019	$ 1,040,000	1,205,429	2,245,429
2020	1,095,000	1,153,429	2,248,429
2021	1,150,000	1,098,679	2,248,679
2022	1,205,000	1,041,179	2,246,179
2023	1,265,000	980,929	2,245,929
2024 – 2028	7,200,000	4,032,906	11,232,906
2029 – 2033	8,555,000	2,688,556	11,243,556
2034 – 2038	10,095,000	1,143,831	11,238,831
	$ 31,605,000	13,344,938	44,949,938

Series 2018 Debt Covenant Compliance

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

Charges and assessments exceeded amounts required by covenants by approximately $52.7 million for 2018; funds available for debt service were equal to 25.6 times average debt service costs in 2018.

(6) Line of Credit

The District has an unsecured line of credit for $30,000,000. The current Loan Agreement matures June 1, 2021. The interest rate on the line of credit is variable and is calculated based on the “One Month London Interbank Offered Rate (LIBOR)” plus 50 basis points. As of December 31, 2018, the interest rate was 2.8493% and no amount was outstanding. The District did not draw on the line of credit during 2018.

(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, 2018, membership of the Plan consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	602
Disabled members	21
Inactive members entitled to but not yet receiving benefits	40
Inactive non-vested members	2
Active members	824
Total	1,489

(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 covered by the collective bargaining agreement contributed 6.00% of pensionable earnings during 2018. Members not covered by the collective bargaining agreement contributed 6.0% of pensionable earnings from January 1, 2018 through August 31, 2018 and 6.50% from September 1, 2018 through December 31, 2018. District contributions to the Plan totaled $11,606,179 for the fiscal year ending December 31, 2018.

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 year ended December 31, 2018 are as follows:

Statement of Plan Fiduciary Net Position at December 31, 2018

		2018
Assets		
Cash and cash equivalents	$	1,601,105
Investments at fair value		
Mutual funds:		
Fixed income funds		129,382,864
Domestic equity funds		158,710,068
International equity funds		88,516,853
Total investments		376,609,785
Total assets		378,210,890
Liabilities		
Accrued expenses and benefits payable		-
Total liabilities		-
Net position restricted for pensions	$	378,210,890

Statement of Changes in the Fiduciary Net Position
for the Year Ended December 31, 2018

		2018
Additions:		
Employer contributions	$	11,606,179
Employee contributions		3,805,373
Total contributions		15,411,552
Net investment loss		(20,727,828)
Total additions		(5,316,276)
Deductions:		
Service benefits		19,116,693
Administrative expenses		94,940
Total deductions		19,211,633
Net decrease		(24,527,909)
Net position restricted for pensions:		
Beginning of year		402,738,799
End of year	$	378,210,890

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, 2018 was as follows:

		2018
Total pension liability	$	463,767,450
Fiduciary net position		378,210,890
Net pension liability		85,556,560
Fiduciary net position as a % of total pension liability		81.55%
Covered payroll	$	62,865,829
Net pension liability as a % of covered payroll		136.09%

(a) Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation prepared as of January 1, 2018 rolled forward one year to December 31, 2018.

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 and healthy 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.

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

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 2117.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic (U.S.) equities	36.0 %	6.0 %
International (Non-U.S.) equities	24.0	8.4
U.S. aggregate bonds	14.0	4.0
International bonds	3.0	3.3
Intermediate term credit	5.0	4.5
Short term credit	5.0	4.2
Intermediate term TIPS	5.0	3.1
REITS	8.0	6.0
Total	100.0 %	

(b) Discount Rate

The discount rate used to measure the total pension liability at December 31, 2018 was 7.00%. There was no change in the discount rate since the prior measurement date. 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 for all employees except for employees not covered by the collective bargaining agreement, which had their rate increase to 6.50% on September 1, 2018. The effective rate for 2018 was 6.06%. At their March 7, 2018 meeting, the Board approved a new collective bargaining agreement effective April 1, 2018 through March 31, 2023. It includes an increase in pension contributions effective January 1 of each year: 7.00% in 2019, 7.50% in 2020, 8.00% in 2021, 8.50% in 2022 and 9.00% in 2023. The contribution rate for employees not covered by the collective bargaining agreement increased to 6.50% on September 1, 2018 and then to 7.00% 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.

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, 2018, calculated using the discount rate of 7.00%, as well as the District’s net pension liability 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%)
2018	$ 145,675,973	85,556,560	35,293,141

(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, 2017	$ 442,313,810	402,738,799	39,575,011
Changes for the year:			
Service cost	11,863,654	-	11,863,654
Interest on total pension liability	30,304,199	-	30,304,199
Differences between expected and actual experience	(1,597,520)	-	(1,597,520)
Employer contributions	-	11,606,179	(11,606,179)
Employee contributions	-	3,805,373	(3,805,373)
Net investment loss	-	(20,727,828)	20,727,828
Benefit payments, including member refunds	(19,116,693)	(19,116,693)	-
Administrative expenses	-	(94,940)	94,940
Net changes	21,453,640	(24,527,909)	45,981,549
Balances at December 31, 2018	$ 463,767,450	378,210,890	85,556,560

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

The District recognized pension expense of $19,215,382 for the year ended December 31, 2018.

At December 31, 2018, 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	$ —	6,297,810
Changes of assumptions	6,068,849	—
Differences between projected and actual earnings on pension plan investments	26,815,599	—
Total	$ 32,884,448	6,297,810

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
2019	$	8,818,926
2020		3,860,930
2021		4,243,314
2022		9,747,432
2023		6,464
Thereafter		(90,428)
	$	26,586,638

(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 year ended December 31, 2018, the following payments were made:

		2018
Water retirees	$	2,825,204
Gas retirees		3,453,027
Total claims/fees paid	$	6,278,231
Prefunded benefits		12,450,255
Retiree contributions		(2,024,466)
Total	$	16,704,020

Retiree health premiums are calculated based on a three-year rolling average, with 2018 projected costs serving as the final year of the calculation when determining premiums that went into effect April 1, 2018. 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, 2018 are as follows: 1) ages 59 and older: $227.97 per month, 2) age 58: $341.95 per month and 3) ages 55 through 57: $683.90 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 $227.97 per month).

OPEB Plan Fiduciary Net Position

Financial information about the OPEB plan's fiduciary net position and the changes in fiduciary net position for the year ended December 31, 2018 are as follows:

Statement of Plan Fiduciary Net Position at December 31, 2018

		2018
Assets		
Investments at fair value		
Mutual funds:		
Fixed income funds	$	6,409,422
Domestic equity funds		11,346,023
International equity funds		6,680,442
Total investments		24,435,887
Total assets		24,435,887
Liabilities		-
Net position restricted for other postemployment benefits	$	24,435,887

Statement of Changes in the Fiduciary Net Position
for the Year Ended December 31, 2018

		2018
Additions:		
Employer contributions	$	12,450,255
Net investment loss		(1,616,178)
Total additions		10,834,077
Deductions:		
Administrative expenses		3,194
Total deductions		3,194
Net increase		10,830,883
Net position restricted for other postemployment benefits:		
Beginning of year		13,605,004
End of year	$	24,435,887

Net OPEB Liability

The net OPEB liability as of December 31, 2018 was as follows:

		2018
Total OPEB liability	$	143,676,670
Fiduciary net position		24,435,887
Net OPEB liability		119,240,783
Fiduciary net position as a % of total OPEB liability		17.01%

(a) Actuarial Assumptions

The District's net OPEB liability was measured as of December 31, 2018, 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 using standard actuarial techniques to December 31, 2018.

The total OPEB 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 OPEB plan investment expenses, including inflation	7.00%
Healthcare cost trend rates:	
Medical trend assumptions (under age 65)	7.50% - 5.00%
Medical trend assumptions (Ages 65 and older)	5.50% - 5.00%
Year of ultimate trend rate	Fiscal Year Ended 2023

Pre-retirement and post-retirement mortality rates 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.

Disability mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006, with Female rates set forward one year, projected with generational improvements under Scale MP-2016.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the four-year period ending December 31, 2016.

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

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

- The discount rate was increased from 5.05% to 7.00%.
- The participation assumption was decreased from 100% to 95%.
- The spousal coverage assumption was changed from 90% to 75%.

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 %	6.0 %
International (Non-U.S.) equities	27.0	8.4
U.S. aggregate bonds	7.0	4.0
International bonds	3.0	3.3
Intermediate term credit	5.0	4.5
Short term credit	5.0	4.2
Intermediate term TIPS	5.0	3.1
REITS	8.0	6.0
Total	100.0 %	

(b) Discount Rate

The discount rate used to measure the total OPEB liability at December 31, 2018 was 7.00%. The projection of cash flows used to determine the discount rate was based on an actuarial valuation performed as of January 1, 2017 with some adjusted assumptions regarding election of coverage. In addition to the actuarial methods and assumptions, the following actuarial methods and assumptions were used in the projection of cash flows:

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

b. Based on the funding policy adopted on August 1, 2018, the District intends to contribute, at a minimum, the Actuarially Determined Contribution (ADC) for all years beginning in 2019.

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.

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

Based on these assumptions, the plan's FNP was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of a single equivalent interest rate (SEIR). The long-term expected rate of return of 7.00% on Plan investments was applied to all periods, resulting in a SEIR of 7.00%.

(c) 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 7.00%, as well as the District's net OPEB liability 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%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$	140,469,400	119,240,783	101,959,536

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

The following presents the net OPEB liability of the District, calculated using the healthcare cost trend rate of 7.50% decreasing to 5.00% for pre-Medicare and 5.50% decreasing to 5.00% 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:

		1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	$	110,095,100	119,240,783	134,054,722

(e) Changes in Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) - (b)**
Balances at December 31, 2017	$ 195,143,624	13,605,004	181,538,620
Changes for the year:			
Service cost	7,514,662	-	7,514,662
Interest on total OPEB liability	9,748,668	-	9,748,668
Assumption changes	(64,476,519)	-	(64,476,519)
Employer contributions	-	16,704,020	(16,704,020)
Net investment loss	-	(1,616,178)	1,616,178
Benefit payments	(4,253,765)	(4,253,765)	-
Administrative expenses	-	(3,194)	3,194
Net changes	(51,466,954)	10,830,883	(62,297,837)
Balances at December 31, 2018	$ 143,676,670	24,435,887	119,240,783

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District recognized OPEB expense of $6,941,415 for the year ended December 31, 2018.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ —	54,938,572
Differences between projected and actual earnings on OPEB plan investments	2,403,340	—
Total	$ 2,403,340	54,938,572

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

Year ended December 31:		Net Deferred Outflows/(Inflows) of Resources
2019	$	(8,937,112)
2020		(8,937,112)
2021		(8,937,112)
2022		(8,937,112)
2023		(9,537,947)
Thereafter		(7,248,837)
	$	(52,535,232)

(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 $675,167 for 2018. 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 $1,986,721 at December 31, 2018.

Changes in the District's self-insured risk balances for the health plan during 2018 are as follows:

		Business-type Activities Total
Beginning balance	$	1,562,494
Expenses		31,550,203
Payments		(31,125,976)
Ending balance	$	1,986,721

The District carries commercial insurance coverage for auto and property with deductibles ranging from $500 to $250,000. The District is also self-insured for workers' compensation and general liability and does not carry additional commercial coverage. There have been no significant reductions in insurance coverage in 2018. In 2018, 2017, and 2016, 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 2018 are as follows:

		Gas Department	Water Department
Beginning balance	$	1,106,286	1,440,222
Expenses		817,438	2,321,227
Payments		(966,428)	(2,118,051)
Ending balance	$	957,296	1,643,398

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

The allowance for doubtful accounts provides for the potential write-off of uncollectible account balances. An estimate is made for the Allowance for Doubtful Accounts based on an analysis of the aging of Accounts Receivable and historical write-offs. The District's policy is to write off receivable balances that are over five years old. During 2018, the Gas Department and Water Department wrote off receivables totaling $5,234,987 and $2,000,702, respectively. The allowance consists of the following at December 31:

Water Department	$	2,455,871
Gas Department		4,895,378

(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 $2.9 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 three 30-year gas purchase agreements, one entered into in 2009, one in 2012, and one in 2018. 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; details are provided below. Audited financial statements of CPEP are available from the District.

In November 2018, the District entered into a 30-year gas supply contract with CPEP for approximately 16% percent of the District's annual gas requirements. This agreement expires on January 31, 2050. Gas flows will commence on August 1, 2019, and the District will achieve total gas cost savings of $6.9 million vs. market prices over the initial five-year term of the deal. After the initial five-year term, CPEP, and the counterparty to the transaction, will negotiate an extension of the contractual gas discounts based on market rates at that time. The District is not required to purchase gas after the initial five-year term unless the discount to market is $.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement.

At December 31, 2018, the District owed CPEP $7,291,969 for gas purchases under these agreements, which is recorded within "Accounts payable" in the statements of net position. During the year ended December 31, 2018, billings from CPEP to the District for services provided under these agreements were $36,050,196.

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

	DTH
2019	10,835,494
2020	10,362,558
2021	9,417,500
2022	9,811,500
2023	10,932,000
2024 – 2050	260,104,200
	311,463,252

In 2018, the District purchased 11,886,986 DTH of gas under these agreements, representing 33% of the District's annual gas requirements.

Subsequent to litigation, the 2009 long-term prepaid gas purchase contract was renegotiated in 2014. The renegotiated contract provided 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.

(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, 2019 and October 31, 2019 and are generally renewed on an annual basis. The District has other gas supply contracts that expire December 31, 2022 and March 31, 2027 that were purchased based off market conditions and are not an annual purchase.

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

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

	DTH
2019	1,063,400
2020	1,068,600
2021	1,063,400
2022	1,063,400
2023	1,063,400
2024 – 2048	37,046,700
	42,368,900

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

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

	DTH
2019	1,452,550
2020	1,459,750
2021	1,452,550
2022	1,452,550
2023	1,524,569
2024 – 2048	43,652,425
	50,994,394

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

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

	DTH
2019	1,004,200
2020	1,009,200
2021	1,004,200
2022	1,004,200
2023	1,004,200
2024 – 2048	40,494,175
	45,520,175

(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, 2018, the District's obligation under the uncompleted portion of contracts for plant facilities and equipment for the Water Department amounted to approximately $13.7 million, which will be financed through operations and the proceeds from the Water System Revenue Bonds Series 2018. For the Gas Department, obligations amounted to approximately $4.2 million at December 31, 2018, which will be financed through operations and the proceeds from the Gas System Revenue Bonds Series 2018.

(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.

METROPOLITAN UTILITIES DISTRICT

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

		2018	2017
Total OPEB Liability			
Service cost	$	7,514,662	7,150,328
Interest		9,748,668	9,806,106
Assumption changes		(64,476,519)	(4,130,520)
Benefit payments		(4,253,765)	(4,015,207)
Net change in total OPEB liability		(51,466,954)	8,810,707
Total OPEB liability, beginning		195,143,624	186,332,917
Total OPEB liability, ending (a)	$	143,676,670	195,143,624
Plan Fiduciary Net Position			
Employer contributions	$	16,704,020	11,015,207
Net investment income (loss)		(1,616,178)	1,407,980
Benefit payments		(4,253,765)	(4,015,207)
Administrative expenses		(3,194)	(1,491)
Net change in plan fiduciary net position		10,830,883	8,406,489
Plan fiduciary net position, beginning		13,605,004	5,198,515
Plan fiduciary net position, ending (b)	$	24,435,887	13,605,004
Net OPEB liability, ending (a) - (b)	$	119,240,783	181,538,620
Plan fiduciary net position as a percentage of the total OBEP liability		17.01%	6.97%
Covered-employee payroll		68,704,312	67,761,364
Net OPEB liability as a percentage of covered-employee payroll		173.56%	267.91%

Notes to Schedule:

Changes since prior valuation:

1. The discount rate was increased from 5.05% to 7.00% to reflect the adoption of a formal funding policy.
2. The participation assumption was decreased from 100% to 95%.
3. The spousal coverage assumption was changed from 90% to 75% with wives three years younger than husbands.

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

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Employer Contributions - Other Post Employment Benefits
January 1, 2009 Through December 31, 2018
($ 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
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%
2018	15,950	16,704	(754)	68,704	24.31%

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	Projected 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	4.00%
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
2018	-8.0%
2017	16.2%
2016	6.3

Note: Schedule is intended to show 10-year trend. The OPEB trust was created in 2016, as such, only three 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

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 11,863,654	11,137,854	10,857,017	10,160,376
Interest on total pension liability	30,304,199	29,552,506	28,076,211	26,596,785
Differences between expected and actual experience	(1,597,520)	(5,835,431)	(1,578,237)	-
Assumption changes	-	8,713,229	-	-
Benefit payments, including member refunds	(19,116,693)	(17,445,020)	(16,555,144)	(16,154,435)
Net change in total pension liability	21,453,640	26,123,138	20,799,847	20,602,726
Total pension liability, beginning	442,313,810	416,190,672	395,390,825	374,788,099
Total pension liability, ending (a)	$ 463,767,450	442,313,810	416,190,672	395,390,825
Plan Fiduciary Net Position				
Employer contributions	$ 11,606,179	11,193,821	10,300,000	10,301,268
Employee contributions	3,805,373	3,757,444	3,895,899	2,820,596
Net investment income	(20,727,828)	52,812,850	25,696,348	(748,921)
Benefit payments, including member refunds	(19,116,693)	(17,445,020)	(16,555,144)	(16,154,435)
Administrative expenses	(94,940)	(94,161)	(85,186)	(92,250)
Net change in plan fiduciary net position	(24,527,909)	50,224,934	23,251,917	(3,873,742)
Plan fiduciary net position, beginning	402,738,799	352,513,865	329,261,948	333,135,690
Plan fiduciary net position, ending (b)	$ 378,210,890	402,738,799	352,513,865	329,261,948
Net pension liability, ending (a) - (b)	$ 85,556,560	39,575,011	63,676,807	66,128,877
Fiduciary net position as a percentage of the total pension liability	81.55%	91.05%	84.70%	83.28%
Covered payroll*	$ 62,865,829	62,624,066	61,064,398	63,384,548
Net pension liability as a percentage of covered payroll	136.09%	63.19%	104.28%	104.33%

Notes to Schedule:

Changes to benefit terms and funding terms:

2018: The member contribution rate increased from 6.00% to 6.50% of total pay on September 1, 2018 for employees not covered by the collective bargaining agreement, as scheduled.

2016: The member contribution rate increased from 4.88% to 6.00% of total pay, as scheduled.

2015: The member contribution rate increased from 4.32% to 4.88% of total pay, as scheduled.

Changes in actuarial assumptions and methods:

1/1/2018 valuation (assumptions used for measuring 12/31/17 total pension liability)

1. The investment return assumption was decreased from 7.25% to 7.00%.
2. The price inflation assumption was lowered from 3.10% to 2.60%.
3. The cost of living adjustment assumption was lowered from 3.00% to 2.60%
4. The general wage growth assumption was lowered from 4.00% to 3.50%.
5. The covered payroll increase assumption was lowered from 4.00% to 3.50%.
6. The mortality assumption was modified by moving to the RP-2014 Mortality Table, adjusted to 2006, with a one-year set forward for females and projected 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 four 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, 2009 Through December 31, 2018
($ in Thousands)

Fiscal Year Ending December 31	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered* Payroll	Actual Contribution as a % of Covered Payroll
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%
2018	11,198	11,606	(408)	62,866	18.46%

* 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, 2018 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 17 to 26 years (single equivalent amortization period is 26 years)
Asset valuation method	Expected + 25% of (market - expected values)
Inflation	2.60%
Salary increases	4.00% to 11.00%, depending on years of service
Long-term investment rate of return	7.00%
Retirement	Service-based table of rates.
Mortality	Pre-retirement mortality rates 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. Post-retirement mortality rates 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. Disabled mortality rates were based on the RP-2014 Disabled Mortality Table, adjusted to 2006, with Female rates set forward one year, projected with generational improvements under Scale MP-2016.
Cost of living adjustments	2.6% 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
2018	-5.2%
2017	15.2
2016	7.9
2015	-0.2

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

METROPOLITAN UTILITIES DISTRICT

Water Department

Schedule of Insurance Coverage

December 31, 2018

(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	6-15-2019
Data Processing Equipment	Equipment, media and extra expense	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2019
Contractors Equipment floater	Construction equipment and communication equipment	Continental Casualty Co.	$50,000 deductible	6-15-2019
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.	$200,000 per loss	2-7-2019

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, 2018

(Unaudited)

Operating revenues, net	$	119,783,197
Thousands of gallons of water supplied to mains		31,138,210
Thousands of gallons of water sold		28,482,950
Maintenance	$	22,314,328
Gross additions to utility plant in service, exclusive of land	$	42,138,027
Land purchased	$	62,754
Depreciation charged to operations and other accounts	$	15,225,346
Cost per thousand gallons of water sold (schedule A)	$	3.46
Collected for sale and rent of meters, net	$	208,018
Assessments against property for extension of mains	$	—
Operating expenses (schedule B)	$	91,730,706
Average number of employees for the year		371
Compensation of employees for the year	$	30,606,441
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, 2018

(Unaudited)

Operating expenses:		
Operations	$	53,040,054
Maintenance		22,314,328
Depreciation		14,758,448
Provision for statutory payments to municipalities		1,617,876
Total operating expenses		91,730,706
Other deductions:		
Interest		6,703,980
Total operating expenses and other deductions	$	98,434,686
Thousands of gallons of water sold		28,482,950
Cost per thousand gallons of water sold	$	3.46

Schedule B

METROPOLITAN UTILITIES DISTRICT

Water Department

Operating Expenses

Year ended December 31, 2018

(Unaudited)

Operating expenses:	
Operations:	
Primary pumping	$ 9,128,716
Purification	11,508,671
Booster pumping	2,589,489
Distribution	8,878,307
Customer accounting	8,932,187
Marketing	661,775
Administrative	11,340,909
Total operating	53,040,054
Maintenance:	
Primary pumping	2,623,423
Purification	3,513,865
Booster pumping	1,973,578
Distribution	14,203,462
Total maintenance	22,314,328
Depreciation	14,758,448
Provision for statutory payments to municipalities	1,617,876
Total operating expenses	$ 91,730,706

METROPOLITAN UTILITIES DISTRICT

Gas Department

Schedule of Insurance Coverage

December 31, 2018

(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	6-15-2019
Data Processing Equipment	Equipment, media and extra expense	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$100,000 deductible	6-15-2019
Contractors Equipment floater nonowner liability	Construction equipment and communication equipment	Continental Casualty Co.	$50,000 deductible	6-15-2019
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.	$200,000 per loss	2-7-2019
Auto Fleet	Physical damage - specified parts	Amco Insurance, Inc. (Nationwide)	$500 deductible	6-15-2019
LNG plant	LNG plant and contents	Associated Electric & Gas Insurance Services (AEGIS) & Starr Technical Risk Agency	$250,000 deductible	6-15-2019
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	6-15-2019

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, 2018

(Unaudited)

Operating revenues, net	$	237,587,047
Dekatherms of gas delivered to mains		35,465,832
Dekatherms of gas sold		35,465,832
Maintenance	$	16,480,633
Gross additions to utility plant in service	$	37,327,962
Depreciation charged to operations and other accounts	$	19,970,576
Cost per thousand cubic feet of gas sold (schedule A)	$	5.75
Collected for sale and rent of meters	$	—
Assessments against property for extension of mains	$	—
Operating expenses (schedule B)	$	203,809,827
Average number of employees for the year		457
Compensation of employees for the year	$	37,780,572
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, 2018

(Unaudited)

Operating expenses:		
Natural gas	$	126,286,762
Operations		41,446,319
Maintenance		16,480,633
Depreciation		15,799,471
Provision for statutory payments to municipalities		3,796,642
Total operating expenses	$	203,809,827
Thousands of cubic feet of gas sold		35,451,767
Cost per thousand cubic feet of gas sold	$	5.75

Schedule B

METROPOLITAN UTILITIES DISTRICT

Gas Department

Operating Expenses

Year ended December 31, 2018

(Unaudited)

Operating expenses:		
Natural gas	$	126,286,762
Operations:		
Production		3,250,451
Distribution		12,361,801
Customer accounting and collecting		11,954,024
Marketing		1,125,006
Administrative		12,755,037
Total operations		41,446,319
Maintenance:		
Production		3,544,898
Distribution		12,935,735
Total maintenance		16,480,633
Depreciation		15,799,471
Provision for statutory payments to municipalities		3,796,642
Total operating expenses	$	203,809,827

Metropolitan Utilities District

mudomaha.com

@mudomahane

/mudomahane