METROPOLITAN UTILITIES DISTRICT

Financial Statements and Supplemental Schedules

December 31, 2015

(With Independent Auditors' Report Thereon)

METROPOLITAN UTILITIES DISTRICT

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Independent Auditor's Report

Board of Directors
Metropolitan Utilities District
Omaha, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Metropolitan Utilities District (the District), as of and for the year ended December 31, 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 and each major fund of the District, as of December 31, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Note 2, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* which restated beginning net position of the business-type activities and each major fund, to record the net pension liability. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, other postemployment benefit plan and pension schedules on pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RSM US LLP

Omaha, Nebraska
March 28, 2016

This section 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, 2015. This information should be read in conjunction with the financial statements and notes to the financial statements.

Overview of Financial Statements

Management's discussion and analysis serves as an introduction to the financial statements and supplementary information. The financial statements report information about the District using accrual accounting.

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 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 other information that is necessary to understand material data provided in the financial statements. The notes begin on page 17.

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. The District implemented GASB No. 68, *Accounting and Financial Reporting for Pensions* for the year ending December 31, 2015. This Statement requires governmental entities providing defined benefit pension benefits to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The financial impact of this new accounting guidance will be addressed in the paragraphs to follow as well as in the notes to our financial statements.

Gas Department

	2015		2014	
Sales, volume sold – DTH:				
Firm gas sales	25,229,966	85%	29,545,878	87%
Interruptible gas sales	4,555,247	15	4,547,038	13
Total gas sales	29,785,213	100%	34,092,916	100%
Degree days	5,555		6,390	
Customers (at December 31):				
Firm customers	224,925		223,055	
Interruptible customers	25		25	
	224,950		223,080	

Gas volumes sold in 2015 decreased 4,307,703 DTH, or 12.6%, from 2014 due to warmer winter weather, as evidenced by the 13.1% decrease in the number of degree days. There was an increase in firm gas customers in 2015 of 1,870, or .8%; there was no change in the number of interruptible customers.

Gas Department Summary of Results of Operations

	2015		2014 (*1)	
Operating revenues:				
Firm and interruptible gas sales	$ 178,917,603	91%	$ 257,110,991	93%
Infrastructure charge	12,640,132	6	12,562,440	5
Other	5,319,888	3	6,287,630	2
Less bad debt expense	(897,783)	—	(1,053,070)	—
Total operating revenues, net	195,979,840	100%	274,907,991	100%
Operating expenses:				
Cost of natural gas	102,977,002	58%	175,462,030	71%
Other operating expenses	73,128,107	42	70,571,414	29
Total operating expenses	176,105,109	100%	246,033,444	100%
Nonoperating revenues (expenses), net	(1,331,137)		(218,857)	
Change in net position	18,543,594		28,655,690	
Net position, beginning of year (as restated for 2015)	305,527,178		298,736,665	
Net position, end of year	$ 324,070,772		$ 327,392,355	

(*1) 2014 amounts do not reflect the adoption of GASB No. 68

Revenues from gas sales, net, were down 28.7% in 2015 due to a 12.6% reduction in volumes, coupled with decreased gas costs. The annual revenues for the average residential gas customer were $573.06 in 2015, as compared to $828.72 in 2014.

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 both years.

Total operating expenses were down by 28.4% from 2014. In 2015, the cost of natural gas was $72.5 million, or 41.3% less than in 2014, due to decreased gas cost ($48.4 million), lower volumes ($22.3 million) and recognition of additional gas purchase discounts earned associated with the CPEP #2 settlement ($1.8 million). In 2015, other operating expenses were $2.6 million, or 3.6%, higher than 2014 due primarily to increased pension expense associated with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* increased Other Post-Employment Benefits expense associated with higher retiree health claims, partially offset by lower statutory payments attributed to lower revenues and decreased Distribution maintenance expense.

Non-operating expenses increased by $1.1 million due primarily to the write-off of mobile radio-related assets associated with the early termination of the contract with a third party provider; the early termination enabled the District to avoid substantial equipment replacement costs as well as the annual maintenance fee of $.3 million.

The District contracts with Central Plains Energy Project (CPEP) for a significant portion of its gas purchases. CPEP is a public body created under Nebraska Interlocal Law for the purpose of securing long-term, economical, and reliable gas supplies. CPEP currently has three members: the District, Cedar Falls Utilities, and Hastings Utilities. CPEP has acquired gas through long-term prepaid gas purchase agreements and delivers gas to its members or customers through long-term gas supply contracts for specified volumes of gas at market-based pricing less a contractual discount. Under the current agreements, the District anticipates taking approximately 90% of the gas acquired in these transactions under a 20-year gas purchase agreement entered into with CPEP in 2007 and two 30-year gas purchase agreements, one entered into in 2009 and the other in 2012. Terms of this 2007 gas supply agreement were renegotiated in 2009 and again in 2012; the gas flows under this agreement will now expire on October 31, 2020. Pursuant to the renegotiation in terms that occurred in 2012, the District received $4.4 million, included in other non-operating revenue in 2012, to compensate the District for the reduction in gas deliveries. As discussed below, the 2009 long-term prepaid gas purchase contract has also been renegotiated subsequent to litigation.

In January 2014, Royal Bank of Canada (RBC) filed a lawsuit in U.S. District Court in Omaha to terminate its 30-year obligation to deliver gas pursuant to CPEP #2, which originated in August 2009. The CPEP #2 supply agreement accounts for approximately 15% of the District's annual gas requirements. RBC asserted that a change in international bank regulations relative to a requirement to maintain increased reserves against prospective losses related to the CPEP deal, serves as a "triggering event" to terminate the supply agreement. CPEP disputed RBC's position, and a countersuit was subsequently filed. On December 1, 2014, this matter was resolved; the renegotiation provides for the following: 1)) $12.5 million up-front proceeds at closing, which have been recorded as unearned gas purchase discounts by the District, and will be recognized as a reduction of the cost of natural gas based on the pattern of gas purchases through October 2019; 2) locked-in discounts of $.16 per DTH for the period November 1, 2014 through October 31, 2019, and 3) the ability to renegotiate discounts for the November 1, 2019 through June 30, 2039, the remaining duration of the contract. It should be noted that the aforementioned $12.5 million up-front proceeds are restricted, in that they must be spent on capital projects within three years from the closing date of December 1, 2014. During 2015, $5.4 million of the $12.5 million up-front proceeds were spent on qualifying capital projects.

Gas Department Summary Financial Position

		2015		2014 (*1)
Plant in service, net	$	376,642,587	$	360,914,829
Noncurrent assets		8,376,751		13,737,935
Current assets		142,173,607		135,359,340
Total assets		527,192,945		510,012,104
Deferred outflows of resources				
Pension amounts		10,775,819		-
Total assets and deferred outflows of resources	$	537,968,764	$	510,012,104
Deferred inflows of resources				
Contributions in aid of construction	$	42,122,389	$	42,892,372
Current liabilities		63,874,135		69,469,353
Noncurrent liabilities		107,901,468		70,258,024
Total liabilities		171,775,603		139,727,377
Net position				
Net investment in capital assets		333,351,210		316,636,764
CPEP # 2 Settlement Fund		-		662,500
Unrestricted		(9,280,438)		10,093,091
Total net position		324,070,772		327,392,355
Total liabilities, deferred inflows of resources, and net position	$	537,968,764	$	510,012,104

(*1) 2014 amounts do not reflect the adoption of GASB No. 68.

Gas Department Long-Term Debt Activity

Debt totaled $1,168,988 and $1,385,693 in the Gas Department at December 31, 2015 and 2014, respectively, which relates to a low-interest loan obtained from the Nebraska Energy Office and its lending partner; the loan matures December 15, 2020 and the interest rate is fixed at 2.5% per annum.

Gas Department Capital Asset Activity

The District remains committed to expending the funds necessary to allow for continued safe and reliable delivery of natural gas to the District's customers. A key component of this commitment is addressing the District's aging infrastructure, as evidenced by the District's ongoing efforts to replace all remaining cast iron gas mains, approximately 397 miles, over the next ten years; the District expended $14.4 million to improve infrastructure and replace cast iron gas mains in 2015 and $11.2 million in 2014.

In 2015, capital and construction-related costs totaled $34.7 million, consisting of:

1) infrastructure replacement $14.4 million (discussed above);
2) other gas mains and distribution $11.2 million;
3) buildings, land and equipment $1.8 million;
4) information technology-related $5.1 million;
5) vehicles, equipment and all other general plant $2.2 million.

In 2014, capital and construction-related costs totaled $35.7 million, consisting of:

1) infrastructure replacement $11.2 million (discussed above);
2) other gas mains and distribution $11.0 million;
3) buildings, land and equipment $4.5 million;
4) information technology-related $4.2 million;
5) vehicles, equipment and all other general plant $4.8 million.

Water Department

	2015	**2014**
Water sales (million gallons)	25,134.2	29,493.6

In 2015, the volume of water sales decreased 4,359.4 million gallons, or 14.8%, due in part to full year precipitation levels that were nearly 14 inches above normal, resulting in less commercial and residential sprinkling.

	2015	**2014**
Customers (December 31)	208,256	207,026

The number of customers at the end of 2015 increased 1,230, or .6% over 2014.

Water Department Summary of Results of Operations

	2015		2014 (*1)	
Operating revenues:				
Water sales	$ 85,844,760	83%	$ 87,406,646	82%
Infrastructure charge	14,098,446	14	13,988,367	13
Other	3,492,962	3	5,119,617	5
Less bad debt expense	(472,268)	—	(581,866)	—
Total operating revenues, net	102,963,900	100%	105,932,764	100%
Operating expenses	88,877,125		83,577,753	
Nonoperating expenses, net	7,908,533		6,988,119	
Change in net position	6,178,242		15,366,892	
Net position, beginning of year (as restated for 2015)	268,962,148		271,702,964	
Net position, end of year	$ 275,140,390		$ 287,069,856	

(*1) 2014 amounts do not reflect the adoption of GASB No. 68

Operating revenues, net, decreased 2.9% in 2015 due to precipitation levels that were nearly 14 inches above normal, as discussed previously. Operating revenues, net, were virtually the same in 2014 as prior year. The annual revenues for the average residential water customer were $320.34 in 2015 compared to $ 317.16 in 2014.

Total operating expenses in 2015 were up $5.3 million, or 6.3%, due primarily to increased pension expense associated with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, increased Other Post-Employment Benefits expense associated with higher retiree health claims, increased distribution operating expense due primarily to an effort to replace water meters to support additional automated meter reading and increased maintenance expense at each of the three water treatment plants.

Non-operating expenses increased by $.9 million in 2015, due primarily to bond expenses associated with the issuance of the Series 2015 water revenue bonds, which will be discussed in greater detail later in this document.

METROPOLITAN UTILITIES DISTRICT

Management's Discussion and Analysis

December 31, 2015

Water Summary Financial Position

		2015		2014 (*1)
Plant in service, net	$	814,934,043	$	796,770,127
Current assets		63,284,817		64,338,701
Noncurrent assets		35,917,271		3,464,524
Total assets		914,136,131		864,573,352
Deferred outflows of resources				
Pension amounts		9,056,154		—
Debt refunding		5,419,285		—
Total deferred outflows of resources		14,475,439		—
Total assets and deferred outflows of resources	$	928,611,570	$	864,573,352
Deferred inflows of resources				
Contributions in aid of construction	$	288,214,682	$	287,781,637
Current liabilities		43,340,468		41,716,144
Long-term obligations		321,916,030		248,005,715
Total liabilities		365,256,498		289,721,859
Net position:				
Net investment in capital assets		321,062,547		304,761,896
Restricted		3,275,181		6,134,347
Unrestricted		(49,197,338)		(23,826,387)
Total net position		275,140,390		287,069,856
Total liabilities, deferred inflows of resources, and net position	$	928,611,570	$	864,573,352

(*1) 2014 amounts do not reflect the adoption of GASB No. 68

Water Department Long-Term Debt Activity

On November 18, 2015 the District announced the successful completion of an $188,895,000 Series 2015 water revenue bond issuance; the all-in cost of funds associated with the offering is 2.96 percent. The bond issuance allowed for the refund and refinancing of the Series 2006A and Series 2006B bonds at a more favorable interest rate; the refinancing will save the District $16.4 million over the life of the financing. In addition, $41 million of the bond issuance is new debt that will be used to fund capital improvement projects at our Florence Water Treatment plant over the next three years. There were no principal payments due on the 2015 bonds during 2015; therefore, the District's long-term debt at December 31, 2015 includes $188,895,000 in Series 2015 bonds outstanding. At December 31, 2014, the District's long-term debt included $79,705,000 and $80,075,000 of Series 2006A and Series B bonds, respectively.

At December 31, 2015 and 2014, the District's long-term debt included $36,695,000 and $38,285,000, respectively, of Series 2012 bonds outstanding. During 2015 and 2014, respectively, the District made principal payments of $1,590,000 and $1,275,000 towards its outstanding Series 2012 water revenue bonds.

At December 31, 2015 and 2014, long-term obligations included a note payable of $33,655 and $97,695, respectively, at 3% interest per annum, to the Nebraska Department of Environmental Quality (NDEQ). During 2015 and 2014, the District paid $64,040 and $62,161 respectively, on the note payable to NDEQ. In 2009, the District entered into an American Recovery and Reinvestment Act loan agreement with the NDEQ for the construction of a contact basin located near its Platte South Water Treatment Plant; the loan is at a 2% interest rate per annum. This loan provided for $1,089,775 in loan forgiveness in the form of a grant, at project completion. At December 31, 2015 and 2014, long term obligations for this note were $4,685,082 and $4,940,603 respectively. During 2015 and 2014, the District made principal payments of $255,521 and $250,485 respectively pursuant to this note payable.

Water Department Long-Term Debt Covenant Compliance

Water Revenue Bonds Series 2012 and Water Revenue Bond Series 2015

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

Charges and assessments exceeded amounts required by covenants by approximately $16.5 million and $21.9 million for 2015 and 2014, respectively. Please see the chart below for debt service coverage ratio information:

	2015	2014
Debt service coverage ratios	2.26x	2.57x
Debt service coverage requirements	1.20x	1.20x

Water Department Capital Asset Activity

Significant projects in 2015 and 2014 are as follows:

- Significant 2015 construction expenditures for projects completed or in process included:

    1) Florence water treatment plant – Construction costs related to the renovation of the filter plant including structural repairs, architectural rehabilitation, mechanical improvements (dehumidification, electrical panels, wiring and fixture replacement) and process improvements (valve replacements, chemical storage and chemical feed improvements): $11.4 million;
    2) Infrastructure replacement (i.e. cast Iron water main abandonment/replacement): $11.4 million;
    3) Other water mains and distribution: $8.5 million;
    4) Florence water treatment plant – Perform a major upgrade on the Supervisory Control and Data Acquisition system (control system) encompassing several processes in several separate buildings of the plant: $1.0 million;
    5) Florence water treatment plant – Design costs for the upgrade of the primary basin's mechanical and electrical equipment and refurbishment of C-basin's deteriorating elevated concrete slab. The process improvements to be addressed by this project include upgrading the mix gear on two primary basins to allow for higher plant softening flows: $.7 million;
    6) Platte South water treatment plant – Replace the roof of the clearwell that stores the finished/drinkable water: $.7 million.

- Significant 2014 construction expenditures for projects completed or in process included:

  1) Platte South water treatment plant - Replace two 20 million-gallon-per-day pumps that were original to the plant; the pumps are an integral part of our standby water production capacity: $2.9 million;
  2) Florence water treatment plant - Replace a failed pump motor with a new motor, transformer and variable frequency drive to match desired water flow rates: $2.7 million;
  3) Florence water treatment plant – Design and construction costs related to the renovation of the filter plant including structural repairs, architectural rehabilitation, mechanical improvements including dehumidification, electrical panels, wiring and fixture replacement and process improvements including valve replacements, chemical storage and chemical feed improvements: $2.7 million;
  4) Florence water treatment plant – Perform a major upgrade of the Supervisory Control and Data Acquisition system (control system) involving several processes in several separate buildings of the plant: $1.8 million;
  5) Florence water treatment plant – Phase 2 improvements - Completion of Basin 7 (clearwell) renovation: $.9 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.

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METROPOLITAN UTILITIES DISTRICT

Statement of Net Position

December 31 ,2015

Assets and Deferred Outflows of Resources		Gas Department	Water Department	Eliminations	Total
Capital assets:					
Utility plant in service	$	534,712,204	1,007,463,820	—	1,542,176,024
Less accumulated depreciation		172,965,023	235,815,569	—	408,780,592
		361,747,181	771,648,251	—	1,133,395,432
Construction in progress		14,895,406	43,285,792	—	58,181,198
Net capital assets		376,642,587	814,934,043	—	1,191,576,630
Noncurrent assets:					
Cash and cash equivalents – restricted		7,112,114	35,406,232	—	42,518,346
Other noncurrent assets		1,264,637	511,039	—	1,775,676
Total noncurrent assets		8,376,751	35,917,271	—	44,294,022
Current assets:					
Cash and cash equivalents		96,703,719	29,008,795	—	125,712,514
Cash and cash equivalents – restricted		—	3,145,645	—	3,145,645
Accounts receivable – customers and others,				—	
less allowance for doubtful accounts		24,673,417	25,454,257	—	50,127,674
Interdepartmental receivable		—	1,439,963	(1,439,963)	—
Natural gas in storage		10,203,682	—	—	10,203,682
Propane in storage		4,966,947	—	—	4,966,947
Materials and supplies		3,233,383	2,692,684	—	5,926,067
Construction materials		2,136,557	1,407,786	—	3,544,343
Prepayments		255,902	135,687	—	391,589
Total current assets		142,173,607	63,284,817	(1,439,963)	204,018,461
Total assets	$	527,192,945	914,136,131	(1,439,963)	1,439,889,113
Deferred Outflows of Resources					
Pension Amounts		10,775,819	9,056,154	—	19,831,973
Deferred Charge on Refunding		—	5,419,285	—	5,419,285
Total deferred outflows of resources	$	10,775,819	14,475,439	—	25,251,258
Total assets and deferred outflows of resources	$	537,968,764	928,611,570	(1,439,963)	1,465,140,371

See accompanying notes to basic financial statements.

Liabilities, Deferred Inflows and Net Position	Gas Department	Water Department	Eliminations	Total
Net position:				
Net investment in capital assets	$ 333,351,210	321,062,547	—	654,413,757
Restricted:				
Environmental	—	171,698	—	171,698
Debt service requirements-sinking fund	—	3,103,483	—	3,103,483
Unrestricted	(9,280,438)	(49,197,338)	—	(58,477,776)
Total net position	324,070,772	275,140,390	—	599,211,162
Deferred inflows of resources				
Contributions in aid of construction	42,122,389	288,214,682		330,337,071
Noncurrent liabilities:				
Long-term debt, excluding current installments	946,798	237,143,484	—	238,090,282
Self-insured risks	71,745	78,748	—	150,493
Net pension liability	36,083,273	30,045,604	—	66,128,877
Postretirement obligation	60,490,272	50,909,861	—	111,400,133
Other accrued expenses	3,484,388	3,738,333	—	7,222,721
Unearned gas purchase discounts	6,825,000	—	—	6,825,000
Total noncurrent liabilities	107,901,476	321,916,030	—	429,817,506
Current liabilities:				
Accounts payable and remediation obligation	27,429,339	4,644,644	—	32,073,983
Customer deposits	27,048,889	1,293,958	—	28,342,847
Customer advances for construction	280,627	6,109,864	—	6,390,491
Interdepartmental payable	1,439,963	—	(1,439,963)	—
Sewer fee collection due to municipalities	—	19,679,127	—	19,679,127
Statutory payment due to municipalities	837,817	482,927	—	1,320,744
Other accrued expenses	145,183	155,764	—	300,947
Current installments of long-term debt	222,190	9,209,312	—	9,431,502
Accrued interest	—	737,403	—	737,403
Self-insured risks	973,020	1,027,469	—	2,000,489
Other liabilities	2,984,599	—	—	2,984,599
Unearned gas purchase discounts	2,512,500	—	—	2,512,500
Total current liabilities	63,874,127	43,340,468	(1,439,963)	105,774,632
Total liabilities	171,775,603	365,256,498	(1,439,963)	535,592,138
Total liabilities, deferred inflows of resources, and net position	$ 537,968,764	928,611,570	(1,439,963)	1,465,140,371

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position

Year ended December 31, 2015

	Gas Department	Water Department	Eliminations	Total
Operating revenues:				
Charges for services	$ 196,877,623	103,436,168	—	300,313,791
Less bad debt expense	897,783	472,268	—	1,370,051
Charges for services, net	195,979,840	102,963,900	—	298,943,740
Operating expenses:				
Cost of natural gas	102,977,002	—	—	102,977,002
Operating and maintenance	57,278,616	74,869,919	—	132,148,535
Depreciation and amortization	12,545,373	12,601,316	—	25,146,689
Payment in lieu of taxes	3,304,118	1,405,890	—	4,710,008
Total operating expenses	176,105,109	88,877,125	—	264,982,234
Operating income	19,874,731	14,086,775	—	33,961,506
Nonoperating revenues (expenses):				
Investment income	11,215	109,575	—	120,790
Other expense	(1,259,478)	(1,186,737)	—	(2,446,215)
Interest expense	(82,874)	(6,831,371)	—	(6,914,245)
Total nonoperating revenues (expenses), net	(1,331,137)	(7,908,533)	—	(9,239,670)
Change in net position	18,543,594	6,178,242	—	24,721,836
Net position, beginning of year, as restated	305,527,178	268,962,148	—	574,489,326
Net position, end of year	$ 324,070,772	275,140,390	—	599,211,162

See accompanying notes to basic financial statements.

METROPOLITAN UTILITIES DISTRICT

Statement of Cash Flows

Year ended December 31, 2015

	Gas Department	Water Department	Total
Cash flows from operating activities:			
Receipts from customers	$ 215,957,815	108,503,400	324,461,215
Payments to suppliers	(110,527,930)	(37,600,594)	(148,128,524)
Payments to employees	(34,420,876)	(28,927,928)	(63,348,804)
Payments in lieu of taxes	(3,304,118)	(1,405,890)	(4,710,008)
Net cash provided by operating activities	67,704,891	40,568,988	108,273,879
Cash flows from noncapital financing activities:			
Interdepartmental loans and advances	(7,424,609)	7,424,609	—
Net cash provided by (used in) noncapital financing activities	(7,424,609)	7,424,609	—
Cash flows from capital and related financing activities:			
Plant additions	(31,780,744)	(36,205,528)	(67,986,272)
Plant removal/retirement costs	(3,974,636)	(822,312)	(4,796,948)
Proceeds from sale of assets	94,429	10,153	104,582
Refunding Payments	—	(160,836,381)	(160,836,381)
Debt issuance costs	—	(983,354)	(983,354)
Payments on long-term debt	(216,705)	(7,909,560)	(8,126,265)
Proceeds from issuance of debt	—	202,861,897	202,861,897
Customer advances/CIAC	407,153	7,590,653	7,997,806
Interest paid	(82,874)	(8,465,189)	(8,548,063)
Net cash used in capital and related financing activities	(35,553,377)	(4,759,621)	(40,312,998)
Cash flows from investing activities:			
Interest received	11,215	109,575	120,790
Net increase in cash and cash equivalents	24,738,120	43,343,551	68,081,671
Cash and cash equivalents, beginning of year	79,077,713	24,217,121	103,294,834
Cash and cash equivalents, end of year	$ 103,815,833	67,560,672	171,376,505
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 19,874,731	14,086,775	33,961,506
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation & amortization			
Depreciation charged to other accounts	12,545,373	12,521,107	25,066,480
Depreciation charged to operations	5,270,591	738,888	6,009,479
Amortization charged to other accounts	—	80,209	80,209
Amortization charged to operations	675,908	75,066	750,974
Cash flows impacted by changes in:			
Amounts due from customers and others	20,552,688	5,067,232	25,619,920
Natural gas, propane, materials, supplies, and prepayments	2,790,651	(424,438)	2,366,213
Other noncurrent assets	(26,702)	(204,952)	(231,654)
Accounts payable and other	(11,861,371)	564,248	(11,297,123)
Customer deposits	12,205,353	(664,495)	11,540,858
Self-insurance and other liabilities	(1,334,587)	6,104	(1,328,483)
Net pension liability	13,299,396	11,177,072	24,476,468
Deferred outflows pension	(10,775,819)	(9,056,154)	(19,831,973)
Postretirement obligation	6,988,679	6,602,326	13,591,005
Unearned gas purchase discounts	(2,500,000)	—	(2,500,000)
Net cash provided by operating activities	$ 67,704,891	40,568,988	108,273,879
Supplemental schedules of noncash items:			
Capitalized interest	—	1,370,994	1,370,994
Construction in Accounts Payable	1,731,959	2,251,196	3,983,155

See accompanying notes to basic financial statements.

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(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 proprietary funds 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) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that meet the criterion for reporting as deferred outflows on the statement of net position, the deferred charge on refunding and the difference between projected and actual earnings on pension 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 difference between projected and actual earnings on pension plan investments is recognized in pension expense over a five-year period, beginning in the current reporting 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 reports contributions in aid of construction (CIAC) as a deferred inflow of resources on the statement of net position.

(d) Utility Plant

Utility plant is stated at cost. Cost includes direct charges such as labor, material, and related overhead. Allowance for borrowed funds used during construction represents interest capitalized on construction projects not paid for by contributions to the extent such projects are financed by debt. Interest was not capitalized on Gas Department projects in 2015. Interest of $1,370,994 was capitalized on Water Department projects in 2015. 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	2.0%
Gas Department	3.6

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

(e) Net Position

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

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

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

(f) 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.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank demand accounts, overnight repurchase agreements, and short-term liquid investments purchased with an original maturity of 90 days or less. The Water Department holds $35.4 million in noncurrent "Cash and cash equivalents – restricted" which is made up of $.2 million in funds required by the Nebraska Game and Parks Commission for environmental mitigation of wetlands, $2.9 million pursuant to various bond resolutions, and $32.3 million of proceeds remaining from the Water Revenue Bond Series 2015 issued in December 2015, which will be expended to update and improve the Florence water treatment plant. The Water Department also holds $3.1 million in current "Cash and cash equivalents – restricted" pursuant to various bond resolutions. The Gas Department holds $7.1 million in noncurrent "Cash and cash equivalents – restricted" representing the Settlement Fund resulting from the December 1, 2014 renegotiation of the CPEP #2 prepaid gas purchase contract; the funds are to be expended on capital expenditures within three years of the December 1, 2014 closing date.

(h) 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, which reflects an estimate of revenues earned after meters are read. 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.

(i) Inventories

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

(j) 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.

(k) 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	$	13,247,863
Water		3,038,559

(l) 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, 2015, the Gas Department reflected a payable to the Water Department and the Water Department reflected a receivable from the Gas Department of $1,439,963. The receivable and payable have been eliminated in the total column.

(m) 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 $19,679,127 as of December 31, 2015. 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 2015. 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.

(n) Pensions

For purposes of measuring the net pension liability, deferred outflows 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.

(o) Other Postemployment Benefits

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

(p) 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.

(q) Recent Accounting Pronouncements

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015, will be effective for the District beginning with its year ending December 31, 2017. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans. The District is currently assessing the impact of this Statement.

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

(2) Impact of Adoption of New Accounting Standard

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of GASB 68 are effective for the District beginning with its year ending December 31, 2015.

The effect of adopting GASB 68 was as follows:

	Gas Department	Water Department	Total
Net position at December 31, 2014, as previously reported	$ 327,392,355	$ 287,069,856	$ 614,462,211
Reverse net pension obligation	918,700	760,824	1,679,524
Record net pension liability	(22,783,877)	(18,868,532)	(41,652,409)
Net position at January 1, 2015, as restated	$ 305,527,178	$ 268,962,148	$ 574,489,326

The impact on prior year change in net position has not been determined.

(3) Deposits

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.

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, 2015, all bank balances were covered by federal depository insurance or collateralized with securities held by the Federal Reserve Bank.

(4) Utility Plant

Utility plant at December 31, 2015 is summarized as follows:

	Gas Department	Water Department	Total
Utility plant in service:			
Depreciable	$ 529,873,274	994,443,911	1,524,317,185
Nondepreciable (land)	4,838,930	13,019,909	17,858,839
Total	534,712,204	1,007,463,820	1,542,176,024
Construction in progress (nondepreciable)	14,895,406	43,285,792	58,181,198
	549,607,610	1,050,749,612	1,600,357,222
Less:			
Accumulated depreciation	(172,965,023)	(235,815,569)	(408,780,592)
	$ 376,642,587	814,934,043	1,191,576,630

The provision for depreciation expense is as follows:

	Gas Department	Water Department	Total
Charged to depreciation	$ 12,545,373	12,521,107	25,066,480
Charged to operating and maintenance	5,270,591	738,888	6,009,479
	$ 17,815,964	13,259,995	31,075,959

The depreciation expense presented above includes a reduction of expense of $7,195,672 for the year ended December 31, 2015 due to the amortization of CIAC.

Capital asset activity for the year ended December 31, 2015 is as follows:

		Balance, beginning of year	Increases	Decreases	Balance, end of year
Gas Department:					
Utility plant in service	$	516,175,357	28,709,817	(10,172,970)	534,712,204
Construction in progress		10,866,413	32,138,053	(28,109,060)	14,895,406
Accumulated depreciation		(166,126,941)	(18,889,739)	12,051,657	(172,965,023)
	$	360,914,829	41,958,131	(26,230,373)	376,642,587
Water Department:					
Utility plant in service	$	986,546,489	22,488,650	(1,571,319)	1,007,463,820
Construction in progress		28,850,776	36,923,666	(22,488,650)	43,285,792
Accumulated depreciation		(218,627,138)	(19,381,892)	2,193,461	(235,815,569)
	$	796,770,127	40,030,424	(21,866,508)	814,934,043
	$	1,157,684,956	81,988,555	(48,096,881)	1,191,576,630

(5) Long-Term Obligations

Activity in long-term obligations for the year ended December 31, 2015 is as follows:

		Balance, beginning of year, as restated	Increases	Decreases	Balance, end of year	Due within one year
Water Revenue Bonds Series 2015	$	—	188,895,000	—	188,895,000	7,330,000
Plus unamortized premium		—	13,966,897	120,656	13,846,241	—
Water Revenue Bonds Series 2012		38,285,000	—	1,590,000	36,695,000	1,585,000
Plus unamortized premium		2,327,331	—	129,513	2,197,818	—
Series 2006A revenue bond		79,705,000	—	79,705,000	—	—
Less unamortized discount		(213,976)	—	(213,976)	—	—
Series 2006B revenue bond		80,075,000	—	80,075,000	—	—
Plus unamortized premium		1,894,205	—	1,894,205	—	—
NDEQ note payable #1		97,695	—	64,040	33,655	33,655
NDEQ note payable #2		4,940,603	—	255,521	4,685,082	260,657
CNG promissory note		1,385,693	—	216,705	1,168,988	222,190
Other postemployment benefits		97,809,128	17,525,590	3,934,585	111,400,133	—
Net pension liability		41,652,409	37,598,332	13,121,864	66,128,877	—
Self-insured risks		2,006,731	2,053,549	1,909,298	2,150,982	2,000,489
Remediation obligation		2,998,018	476,392	26,856	3,447,554	3,447,554
Other accrued expenses		7,346,412	466,629	289,373	7,523,668	300,947
	$	360,309,249	260,982,389	183,118,640	438,172,998	15,180,492

(a) Notes Payable

Included in long-term debt in the Water Department is a 3% note payable (NDEQ note payable #1) and a 2% note payable (NDEQ note payable #2) to the Nebraska Department of Environmental Quality (NDEQ). NDEQ note payable #1 has one payment remaining with principal of $33,655 as noted below.

		Principal	Interest	Administrative fee	Total
2016	$	33,655	518	173	34,346

NDEQ note payable #2 relates to construction of the Platte South contact basin project. The District's loan agreement was based on a budgeted project cost of $7,049,000; if actual project costs equal budget, the agreement results in a loan amount of $5,959,225 with the NDEQ, and principal forgiveness of $1,089,775, in the form of a grant.

The Platte South contact basin project was completed in late 2012, with total direct project costs of $6,886,837, resulting in total committed loan funds of $5,797,062. During 2015, the District paid back $255,521 as principal. The note payable requirements to maturity, June 15, 2031, for NDEQ note payable #2 are as follows:

		Principal	Interest	Administrative fee	Total
2016	$	260,657	92,405	46,202	399,264
2017		265,896	87,166	43,583	396,645
2018		271,240	81,821	40,911	393,972
2019		276,692	76,369	38,185	391,246
2020		282,254	70,808	35,404	388,466
2021-2025		1,498,685	266,623	133,312	1,898,620
2026-2030		1,655,480	109,828	54,914	1,820,222
2031		174,178	1,741	871	176,790
	$	4,685,082	786,761	393,382	5,865,225

(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, 2015 consist of:

	Interest rate	Annual installment	Principal outstanding
Series 2012 bonds:			
Serial	2.000% - 4.000%	$ 1,185,000 - 2,335,000	23,420,000
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
2016	$ 1,585,000	1,296,844	2,881,844
2017	1,680,000	1,249,294	2,929,294
2018	1,735,000	1,182,094	2,917,094
2019	1,800,000	1,112,694	2,912,694
2020	1,860,000	1,040,694	2,900,694
2021 – 2025	10,180,000	4,177,769	14,357,769
2026 – 2030	12,235,000	2,117,694	14,352,694
2031 – 2032	5,620,000	265,155	5,885,155
	$ 36,695,000	12,442,238	49,137,238

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and investments 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 $1,590,000 and $1,328,644, respectively, were paid on these bonds in 2015; total water revenues for the year ended December 31, 2015 were $103,436,168.

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 net proceeds, including net premium, were $202,861,897 of which $983,354 were dispensed for underwriting and issuance costs as of December 31, 2015, with an additional $160,836,382 deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006A Bonds and 2006B Bonds. As a result, the 2006A Bonds and 2006B Bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The District advance refunded the 2006A Bonds and 2006B Bonds to reduce its total debt service payments over the next 17 years by $16.4 million and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $13.7 million.

The difference between the reacquisition price and the net carrying amount of the old debt of $5,467,365 is being deferred and amortized as a component of interest expense over 192 months through December 1, 2031 with the unamortized portion reported as a deferred outflow of resources. As of December 31, 2015, the unamortized portion was $5,419,285.

The indenture, under which the revenue bonds were issued, provides for the creation and maintenance of certain funds. These cash and investments are classified as restricted on the statement of net position. The remaining net proceeds from the 2015 Bonds will be used to finance a portion of the costs of improvements to the District's Florence Water Treatment Plant.

The District has pledged future water revenues to repay the 2015 Bonds. The 2015 Bonds are payable solely from water revenues and are payable through 2035. Principal and interest payments on these bonds will begin in 2016. Total water revenues for the year ended December 31, 2015 were $103,436,168.

The balance, annual installments, and interest rates at December 31, 2015 consist of:

	Interest rate	**Annual installment**	**Principal outstanding**
Series 2015 bonds:			
Serial	2.850% - 5.000%	$ 7,330,000 - 14,115,000	181,075,000
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
2016	$	7,330,000	7,551,999	14,881,999
2017		7,530,000	7,335,255	14,865,255
2018		7,915,000	6,958,755	14,873,755
2019		8,320,000	6,563,005	14,883,005
2020		8,750,000	6,147,005	14,897,005
2021 – 2025		50,920,000	23,708,275	74,628,275
2026 – 2030		62,510,000	12,122,905	74,632,905
2031 – 2035		35,620,000	2,463,162	38,083,162
	$	188,895,000	72,850,361	261,745,361

Series 2012 and Series 2015 Debt Covenant Compliance

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

Charges and assessments exceeded amounts required by covenants by approximately $16.5 million for 2015; funds available for debt service were equal to 2.3 times average debt service costs in 2015.

(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
2016	$	222,190	27,137	249,327
2017		227,968	21,359	249,327
2018		233,814	15,513	249,327
2019		239,810	9,516	249,326
2020		245,206	3,381	248,587
	$	1,168,988	76,906	1,245,894

(6) Line of Credit

The District's Gas Department entered into an unsecured line of credit on October 31, 2006 for \$30,000,000. The current Loan Agreement matures May 1, 2018. The interest rate on the line of credit is variable and is calculated based on the "Three Month London Interbank Offered Rate (LIBOR)" plus 50 basis points; under no circumstances will the rate on this loan be less than 3%. As of December 31, 2015, the interest rate was 3% and no amount was outstanding. The District did not draw on the line of credit during 2015.

(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.

(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, 2015, membership of the Plan consisted of the following:

Inactive members or their beneficiaries currently receiving benefits	577
Disabled members	20
Inactive members entitled to but not yet receiving benefits	38
Active members	856
Total	1,491

(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 contribution rate stated in the collective bargaining agreement is used for all regular full-time employees of the District. An actuarial valuation is performed each year to determine the actuarial required contribution, based on the funding policy set by the Board, which is then contributed by the District. The District's policy is to contribute amounts approved in the annual budget, which are generally greater than or equal to the actuarially determined annual required contribution. At times, the District has contributed in excess of the full annual required contribution. Each member contributed 4.88% of pensionable earnings during 2015, and will contribute 6.00% of pensionable earnings for all years thereafter, unless amended by subsequent negotiations. District contributions to the Plan totaled $10,301,268 for the fiscal year ending December 31, 2015.

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, 2015 is as follows:

Statement of Plan Fiduciary Net Position at December 31, 2015

Assets		
Cash and cash equivalents	$	1,366,012
Investments at fair value		
Fixed income		105,891,512
Domestic Stock		157,586,900
International Stock		64,417,524
Total investments		327,895,936
Total assets		329,261,948
Liabilities		
Accrued expenses and benefits payable		-
Total liabilities		-
Net position restricted for pensions	$	329,261,948

Statement of Changes in the Fiduciary Net Position
for the Year Ended December 31, 2015

Additions:		
Employer contributions	$	10,301,268
Employee contributions		2,820,596
Total contributions		13,121,864
Net investment income		(748,921)
Total additions		12,372,943
Deductions:		
Service benefits		16,154,435
Administrative expenses		92,250
Total deductions		16,246,685
Net decrease		(3,873,742)
Net position restricted for pensions:		
Beginning of year		333,135,690
End of year	$	329,261,948

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, 2015 was as follows:

Total pension liability	$	395,390,825
Fiduciary net position		329,261,948
Net pension liability		66,128,877
Fiduciary net position as a % of total pension liability		83.28%
Covered payroll	$	63,384,548
Net pension liability as a % of covered payroll		104.33%

(a) Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation prepared as of January 1, 2015, rolled forward one year to December 31, 2015.

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.10%
Salary increases, including inflation	4% to 11%
Long-term investment rate of return, net of pension plan investment expenses, including inflation	7.25%
Cost-of-living adjustment	3.00%

Mortality rates were based on the RP-2000 Mortality tables for employees, healthy annuitants, and disabled annuitants with generational mortality projections using Scale AA.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study, which covered the five year period ending December 31, 2012. The experience study report is dated July 8, 2014.

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 July 8, 2014. 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.

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%	6.5%
International (Non-U.S.) equities	20.0	7.1
U.S. aggregate bonds	14.0	1.5
International bonds	3.0	1.3
Intermediate term credit	5.0	2.2
Short term credit	5.0	2.0
Intermediate term TIPS	5.0	0.8
REITS	8.0	5.0
Total	100.0%	

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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: 4.88% of pensionable earnings during 2015, and 6.00% of pensionable earnings for all years thereafter.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	$ 116,689,135	66,128,877	23,612,203

(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, 2014	$ 374,788,099	333,135,690	41,652,409
Changes for the year:			
Service cost	10,160,376	-	10,160,376
Interest on total pension liability	26,596,785	-	26,596,785
Employer contributions	-	10,301,268	(10,301,268)
Employee contributions	-	2,820,596	(2,820,596)
Net investment income	-	(748,921)	748,921
Benefit payments, including member refunds	(16,154,435)	(16,154,435)	-
Administrative expenses	-	(92,250)	92,250
Net changes	20,602,726	(3,873,742)	24,476,468
Balances at December 31, 2015	$ 395,390,825	329,261,948	66,128,877

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

For the year ended December 31, 2015, the District recognized pension expense of $14,945,763.

At December 31, 2015, the District reported deferred outflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period	Balance December 31, 2014	Additions	Recognition	Balance December 31, 2015
Deferred outflows of resources:						
Differences between projected and actual earnings on pension plan investments	2015	5 years	$ -	24,789,966	4,957,993	19,831,973

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:	Deferred Outflow of Resources
2016	$ 4,957,993
2017	4,957,993
2018	4,957,993
2019	4,957,994
	$ 19,831,973

(8) Postemployment Benefits

(a) Plan Description

The District provides certain postemployment healthcare and life insurance benefits to eligible retirees and their spouses in accordance with provisions established by the Board. The plan is a single-employer defined benefit healthcare plan administered by the District. The plan does not issue separate financial statements.

(b) Funding Policy

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. For the year ended December 31, 2015, the following payments were made:

Water retirees	$	2,641,722
Gas retirees		3,228,771
Total claims/fees paid	$	5,870,493
Retiree contributions		(1,613,625)
Stop loss reimbursements		(322,283)
Net District contribution	$	3,934,585

Retiree health premiums are calculated based on a three-year rolling average, with 2015 projected costs serving as the final year of the calculation when determining premiums that went into effect April 1, 2015. 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, 2015 are as follows: 1) ages 59 and older: $195.08 per month, 2) age 58: $292.63 per month and 3) ages 55 through 57: $585.25 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 $195.08 per month).

(c) Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 are as follows:

	Annual OPEB cost	Annual OPEB% contributed	Net OPEB obligation
Fiscal year ended:			
December 31, 2015	$ 17,525,590	22%	$ 111,400,133
December 31, 2014	15,864,648	20	97,809,128
December 31, 2013	15,783,995	23	85,169,770

The following table shows the components of the District's annual OPEB cost for 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 16,873,529
Interest on net OPEB obligation	3,912,365
Adjustment to annual required contribution	(3,260,304)
Annual OPEB cost	17,525,590
Contributions made	3,934,585
Increase in OPEB obligation	13,591,005
Net OPEB obligation – beginning of year	97,809,128
Net OPEB obligation – end of year	$ 111,400,133

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, the date of the last actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	$	200,827,717
Actuarial value of plan assets		—
Unfunded actuarial accrued liability (UAAL)	$	200,827,717
Funded ratio		0%
UAL as a percentage of covered payroll		350

(d) Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan member to that point. The actuarial methods used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2015 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% projected investment rate of return and an annual healthcare cost trend of 7.50% initially, reduced by periodic decrements to an ultimate rate of 5.0% after five years. Both rates include a 3.1% inflation assumption. The unfunded actuarial accrued liability is being amortized over 30 years as a level percent of payroll.

(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. 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. The deferred compensation is 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 $538,816 for 2015.

(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 $500,000, and when aggregate claims exceed 125% of projected levels. A liability for claims is recorded in accounts payable, and was $1,195,023 at December 31, 2015.

The District carries commercial insurance coverage for auto and property with deductibles ranging from $500 to $100,000. 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 2015. In 2015, 2014, and 2013, 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 during 2015 are as follows:

		Gas Department	Water Department
Beginning balance	$	906,618	1,100,113
Expenses		979,783	1,073,766
Payments		(841,636)	(1,067,662)
Ending balance	$	1,044,765	1,106,217

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

The allowance for doubtful accounts provides for the potential write-off of uncollectible account balances. An estimate is made for the Allowance for Doubtful Accounts based on an analysis of the aging of Accounts Receivable and historical write-offs. The District's policy is to write off receivable balances that are over five years old. There were no receivable write-offs during 2015. The allowance consists of the following at December 31:

Water Department	$	3,150,133
Gas Department		4,805,485

(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 $1.8 billion of gas supply revenue bonds to fund these natural gas prepayment transactions, which are secured by gas contracts entered into with each project's members or customers. Under the current agreements, the District anticipates taking approximately 90% of the gas acquired in these transactions under a 20-year gas purchase agreement entered into with CPEP in 2007 and two 30-year gas purchase agreements, one entered into in 2009 and the other in 2012. Terms of this 2007 gas supply agreement were renegotiated in 2009 and again in 2012; the gas flows under this agreement will now expire on October 31, 2020. The 30-year gas purchase agreement entered into in 2009 was renegotiated in 2014 subsequent to litigation; full details are provided below. Audited financial statements of CPEP are available from the District.

At December 31, 2015, the District owed CPEP $4,365,579 for gas purchases under these agreements, which is recorded within "Accounts payable and remediation obligation" in the statement of net position. During the year ended December 31, 2015, billings from CPEP to the District for services provided under these agreements were $33,515,775.

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

	DTH
2016	12,791,991
2017	12,697,528
2018	11,886,986
2019	8,721,494
2020	5,361,558
2021 – 2042	125,107,000
	176,566,557

In 2015, the District purchased 12,722,739 DTH of gas under these agreements, representing 42% of the District's annual gas requirements. As discussed below, the 2009 long-term prepaid gas purchase contract has also been renegotiated subsequent to litigation.

In January 2014, Royal Bank of Canada (RBC) filed a lawsuit in U.S. District Court in Omaha to terminate its 30-year obligation to deliver gas pursuant to CPEP #2, which originated in August 2009. The CPEP #2 supply agreement accounts for approximately 15% of the District's annual gas requirements. RBC asserted that a change in international bank regulations relative to a requirement to maintain increased reserves against prospective losses related to the CPEP deal, serves as a "triggering event" to terminate the supply agreement. CPEP disputed RBC's position, and a countersuit was subsequently filed. On December 1, 2014, this matter was resolved; the renegotiation provides for the following: 1) $12.5 million up-front proceeds at closing, which have been recorded as unearned gas purchase discounts by the District, and will be recognized as a reduction of the cost of natural gas based on the pattern of gas purchases through October 2019; 2) locked-in discounts of $.16 per DTH for the period November 1, 2014 through October 31, 2019, and 3) the ability to renegotiate discounts for the November 1, 2019 through June 30, 2039, the remaining duration of the contract. It should be noted that the aforementioned $12.5 million up-front proceeds are restricted, in that they must be spent on capital projects within three years from the closing date of December 1, 2014.

(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, 2016, March 31, 2017 and October 31, 2017 and are generally renewed on an annual basis. The District has other gas supply contracts that expire December 31, 2020 and March 31, 2021 that were purchased based off market conditions and are not an annual purchase.

(c) Gas Transportation Agreements

The District has entered into long-term gas transportation agreements with Northern Natural Gas Company (NNG). The District's current agreement expires October 31, 2016, and provides for 198,975 Dth/day of Firm Pipeline Transportation service during the months of November through March and 139,283 Dth/day of Firm Pipeline Transportation service during the months of April through October. Per the terms of the agreement, 78% of the transportation volumes are priced at a discounted rate below NNG's maximum tariff rate with the remaining 22% priced at NNG's maximum tariff rates. The District's annual Pipeline Demand costs under this agreement, based on NNG's current tariff rates, is $11.5 million.

On November 7, 2012, the District entered into a twenty (20) year firm transportation agreement with Northern Natural Gas; the term of the new 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, 2015, the District's obligation under the uncompleted portion of contracts for plant facilities and equipment for the Water Department amounted to approximately $5.4 million which will be financed through operations and the proceeds from the Water Revenue Bonds Series 2015. For the Gas Department, approximately $2.5 million obligations existed at December 31, 2015.

(13) Contingencies

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

(14) Pollution Remediation

During 2011, the District was identified as a potentially responsible party (PRP) related to a site of a former manufactured gas plant (the Site). The Site is currently owned by the City of Omaha. This Site was subject to a site investigation by a third party to help the District determine potential options and costs associated with remediating the Site. In 2011, the District recorded a remediation liability of $2,500,000, of which $146,190 has been spent through December 31, 2015, primarily related to developing a remediation plan for the Site. During 2014 and 2015, estimated remediation amounts were updated to reflect the delays in proceeding while awaiting the State's approval of the proposed remediation plan and the impact of inflation. The total remediation liability at December 31, 2015 was $3,447,554, which is included as a current liability in the accompanying statements.

With the assistance of the aforementioned third party, a detailed remediation plan was submitted to the State of Nebraska in November 2012. In November 2015, the District received approval from the State and is moving forward with the remediation plan. Remediation will include at a minimum, removal of contaminants to be shipped to an appropriate landfill, providing fill dirt, monitoring ground water activity, and providing a "cap" of clean fill dirt. The District expects to complete the project in the first half of 2016.

The remediation accrual balance represents the District's best estimate at December 31, 2015 and is subject to change pending finalization of remediation plans. The District believes there is at least one other potentially responsible party that may be legally obligated to contribute to the remediation costs at the site and may pursue recovery from those parties depending on results of the site investigation. The remediation liability was measured at its expected amount, using the expected cash flow technique.

The District has provided the Environmental Protection Agency (EPA) with many documents regarding the past use of the facility. To date, there have been no orders from the EPA requiring the District to do anything; however, the District applied with the State of Nebraska's Voluntary Remediation Program, which the State of Nebraska manages locally on behalf of the EPA. Acceptance into this voluntary program in 2015 has eliminated the need for the EPA to "order" the District to do anything further.

(15) Subsequent Event

In February 2016, the Board approved an agreement establishing a trust to provide for the payment of other postemployment benefits to eligible retirees and their spouses. The District's 2016 Budget, approved by the Board in December 2015, includes $5 million to begin funding this trust.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedules of Funding Progress - Other Postemployment Benefits

(Dollar amounts in thousands)

(Unaudited)

Schedule of Funding Progress – OPEB

Actuarial valuation date	Actuarial value of assets (a)	Actuarial liability (AL) (b)	Unfunded AL (UAL) (b – a)	Funded ratio (a/b)	Covered payroll (c)	UAL as a percentage of covered payroll ((b – a)/c)
1/1/2015	—	200,828	200,828	— %	57,351	350
1/1/2013	—	183,202	183,202	—	51,200	358
1/1/2011	—	177,049	177,049	—	52,893	335

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

	OPEB
Valuation Date	January 1, 2015
Actuarial cost method	Unit credit actuarial cost method
Amortization period	30 years
Remaining amortization period	30 years
Actuarial assumptions	
Investment rate of return	4.0%
Projected salary increase	4.0%
Annual postretirement benefit increase	N/A
Inflation rate	3.1%
Annual healthcare cost trend	7.5% initially, reduced by periodic decrements to a rate of 5% after five years

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fiscal Year Ended December 31, 2015

		2015
Total Pension Liability		
Service cost	$	10,160,376
Interest on total pension liability		26,596,785
Benefit payments, including member refunds		(16,154,435)
Net change in total pension liability		20,602,726
Total pension liability, beginning		374,788,099
Total pension liability, ending (a)	$	395,390,825
Plan Fiduciary Net Position		
Employer contributions	$	10,301,268
Employee contributions		2,820,596
Net investment income		(748,921)
Benefit payments, including member refunds		(16,154,435)
Administrative expenses		(92,250)
Net change in plan fiduciary net position		(3,873,742)
Plan fiduciary net position, beginning		333,135,690
Plan fiduciary net position, ending (b)	$	329,261,948
Net pension liability, ending (a) - (b)	$	66,128,877
Fiduciary net position as a percentage of the total pension liability		83.28%
Covered payroll	$	63,384,548
Net pension liability as a percentage of covered payroll		104.33%

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

METROPOLITAN UTILITIES DISTRICT

Required Supplementary Information
Schedule of Employer Contributions
January 1, 2006 Through December 31, 2015
($ in Thousands)

Fiscal Year Ending December 31	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	$ 1,723	$ 2,144	$ (421)	$ 40,945	5.24%
2007	2,603	2,885	(282)	43,105	6.69%
2008	5,965	3,200	2,765	46,428	6.89%
2009	7,689	6,200	1,489	50,782	12.21%
2010	8,588	8,638	(50)	51,484	16.78%
2011	9,235	9,300	(65)	51,869	17.93%
2012	9,231	10,312	(1,081)	51,031	20.21%
2013	8,996	10,300	(1,304)	55,847	18.44%
2014	8,988	10,300	(1,312)	59,332	17.36%
2015	9,956	10,301	(345)	63,385	16.25%

Notes to Schedule

Valuation date:	January 1, 2015 Actuarially determined contribution rates are calculated as of each January 1.

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 20 to 29 years (single equivalent amortization period is 29 years)
Asset valuation method	Expected + 25% of (market – expected values)
Inflation	3.10%
Salary increases	4.00% to 11.00%
Long-term investment rate of return	7.25%
Retirement	Service-based table of rates. Last updated for the 2015 valuation pursuant to an experience study of the five-year period 2018-2012.
Mortality	Pre-retirement mortality rates were based on the RP-2000 Employee Table with generational mortality projections using Scale AA. Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table with generational mortality projections using Scale AA.
Cost of living adjustments	3.00% per year

METROPOLITAN UTILITIES DISTRICT

Water Department

Schedule of Insurance Coverage

December 31, 2015

(Unaudited)

Coverage	Description	Name of insurer	Deductible or coinsurance amounts	Expiration date
Buildings (including contents)	Fire and extended coverage	Affiliated FM Insurance	$100,000 deductible	6-1-2016
Boiler/Equipment Breakdown	Boiler and machinery	Zurich American Insurance Co.	$100,000 deductible	6-1-2016
Contractors Equipment floater	Construction equipment and communication equipment	Continental Casualty Co.	$40,000 deductible	6-1-2016
Data Processing Equipment	Equipment, media and extra expense	The Hartford	$5,000 deductible	6-1-2016
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.		2-7-2016

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, 2015

(Unaudited)

Operating revenues, net	$	102,963,900
Thousands of gallons of water supplied to mains		30,475,770
Thousands of gallons of water sold		25,134,223
Maintenance	$	20,894,936
Gross additions to utility plant in service, exclusive of land		22,488,650
Land purchased		—
Depreciation charged to operations and other accounts		13,340,204
Cost per thousand gallons of water sold (schedule A)		3.81
Collected for sale and rent of meters, net		(134,890)
Assessments against property for extension of mains		—
Operating expenses (schedule B)		88,877,125
Average number of employees for the year		400
Compensation of employees for the year		28,927,928
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, 2015

(Unaudited)

Operating expenses:		
Operations	$	53,974,983
Maintenance		20,894,936
Depreciation		12,601,316
Provision for statutory payments to municipalities		1,405,890
Total operating expenses		88,877,125
Other deductions:		
Interest		6,831,371
Total operating expenses and other deductions	$	95,708,496
Thousands of gallons of water sold		25,134,223
Cost per thousand gallons of water sold	$	3.81

Schedule B

METROPOLITAN UTILITIES DISTRICT

Water Department

Operating Expenses

Year ended December 31, 2015

(Unaudited)

Operating expenses:		
Operations:		
Primary pumping	$	8,610,767
Purification		10,629,145
Booster pumping		2,498,659
Distribution		9,206,420
Customer accounting		9,975,962
Marketing		659,828
Administrative		12,394,202
Total operating		53,974,983
Maintenance:		
Primary pumping		2,894,740
Purification		3,262,371
Booster pumping		1,812,519
Distribution		12,925,306
Total maintenance		20,894,936
Depreciation		12,601,316
Provision for statutory payments to municipalities		1,405,890
Total operating expenses	$	88,877,125

METROPOLITAN UTILITIES DISTRICT

Gas Department

Schedule of Insurance Coverage

December 31, 2015

(Unaudited)

Coverage	Description	Name of insurer	Deductible or coinsurance amounts	Expiration date
Buildings (including contents)	Fire and extended coverage	Affiliated FM Insurance	$100,000 deductible	6-1-2016
Boiler/Equipment Breakdown	Boiler and machinery	Zurich American Insurance Co.	$100,000 deductible	6-1-2016
Conractors Equipment floater nonowner liability	Construction equipment and communication equipment	Continental Casualty Co.	$40,000 deductible	6-1-2016
Travel Insurance	All employees and directors while on a bonafide business trip	Reliance Std. Life Ins. Co.		2-7-2016
Auto Fleet	Physical damage - specified parts	Harleysville Insurance Co.	$1,000 deductible	6-1-2016
Data Processing Equipment	Equipment, media and extra expense	The Hartford	$5,000 deductible	6-1-2016
LNG plant	LNG plant and contents	Ace American Insurance Co.	$250,000 deductible	6-1-2016
Propane caverns	Two caverns - special cause of loss, including earthquake and flood	Ace American Insurance Co.	$250,000 deductible	6-1-2016

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, 2015

(Unaudited)

Operating revenues, net	$	195,979,840
Dekatherms of gas delivered to mains		29,776,602
Dekatherms of gas sold		29,785,213
Maintenance	$	15,211,197
Gross additions to utility plant in service	$	28,109,060
Depreciation charged to operations and other accounts	$	17,815,964
Cost per thousand cubic feet of gas sold (schedule A)	$	5.89
Collected for sale and rent of meters	$	—
Assessments against property for extension of mains	$	—
Operating expenses (schedule B)	$	176,105,109
Average number of employees for the year		477
Compensation of employees for the year	$	34,420,876
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, 2015

(Unaudited)

Operating expenses:		
Natural gas	$	102,977,002
Operations		42,067,419
Maintenance		15,211,197
Depreciation		12,545,373
Provision for statutory payments to municipalities		3,304,118
Total operating expenses	$	176,105,109
Thousands of cubic feet of gas sold		29,894,713
Cost per thousand cubic feet of gas sold	$	5.89

Schedule B

METROPOLITAN UTILITIES DISTRICT

Gas Department

Operating Expenses

Year ended December 31, 2014

(Unaudited)

Operating expenses:		
Natural gas	$	102,977,002
Operations:		
Production		3,467,688
Distribution		10,857,600
Customer accounting and collecting		13,159,627
Marketing		1,263,316
Administrative		13,319,188
Total operations		42,067,419
Maintenance:		
Production		3,288,194
Distribution		11,923,003
Total maintenance		15,211,197
Depreciation		12,545,373
Provision for statutory payments to municipalities		3,304,118
Total operating expenses	$	176,105,109

METROPOLITAN UTILITIES DISTRICT

Statistical Highlights

Years ended December 31, 2015, 2014, and 2013

(Unaudited)

Water Department		**2015**	**2014**
Number of customers (December)		208,256	207,026
Sales (thousand gallons)		25,134,223	29,493,606
Operating revenues, net	$	102,963,900	105,932,764
Operating expenses		88,877,125	83,577,753
Operating income	$	14,086,775	22,355,011
Plant additions and replacements, net	$	37,549,194	36,182,638
Plant in service		1,007,463,820	986,546,489
Miles of mains		2,895	2,886
Average daily pumpage (thousand gallons)		83,482	86,836
Gas Department			
Number of customers (December)		224,950	223,080
Sales (DTH):			
Firm		25,229,966	29,545,878
Interruptible		4,555,247	4,547,038
Total		29,785,213	34,092,916
Operating revenues, net	$	195,979,840	274,907,991
Cost of gas sold		102,977,002	175,462,030
Other operating expenses		73,128,107	70,571,414
Operating income	$	19,874,731	28,874,547
Plant additions and replacements, net	$	34,690,608	35,674,509
Plant in service		534,712,204	516,175,357
Miles of mains		2,798	2,791
Average daily sendout (DTH)		81,580	93,185
Number of active employees – water and gas combined		877	859

RSM