

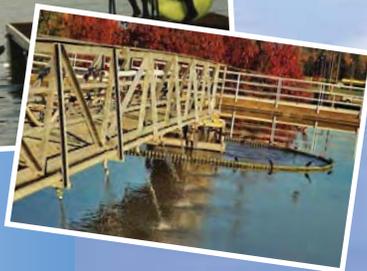
REGIONAL WASTEWATER PROGRAM ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2015



Metropolitan Wastewater Management Commission



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Metropolitan Wastewater Management Commission



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**METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
OF THE EUGENE-SPRINGFIELD METROPOLITAN AREA
(A COMPONENT UNIT OF THE CITY OF SPRINGFIELD)**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Metropolitan Wastewater Management Commission



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METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

ANNUAL FINANCIAL REPORT

For the year ended June 30, 2015

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Introductory Section

Metropolitan Wastewater Management Commission



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Metropolitan Wastewater Management Commission
of the Eugene-Springfield Metropolitan Area

June 30, 2015

GOVERNING BOARD

Hilary Loud
1800 Lakewood Court, #102
Eugene, OR 97402

Eugene
Citizen Representative
President

Joe Pishioneri
961 S. 70th St.
Springfield, OR 97478

Springfield
Council Representative
Vice-President

Bill Inge
1831 W. Broadway
Eugene, OR 97402

Lane County
Citizen Representative

George Brown
1740 Graham Drive
Eugene, OR 97405

Eugene
Council Representative

Doug Keeler
3905 Hayden Bridge Rd.
Springfield, OR 97477

Springfield
Citizen Representative

Walt Meyer
3987 Brae Burn Dr.
Eugene, OR 97405

Eugene
Citizen Representative

Faye Stewart
125 E. 8th Ave.
Eugene, OR 97401

Lane County
Lane County Commissioner

ADMINISTRATION

225 Fifth Street
Springfield, Oregon 97477

Anette Spickard

MWMC Executive Officer

Matt Stouder

MWMC General Manager

Michelle Cahill

Eugene Wastewater Division Director

Robert J. Duey

MWMC Finance Officer

Metropolitan Wastewater Management Commission



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Financial Section

Metropolitan Wastewater Management Commission



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Independent Auditor's Report

Metropolitan Wastewater Management Commission



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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Governing Board
Metropolitan Wastewater Management Commission
225 5th Street
Springfield, Oregon 97477

Report on the Financial Statements

We have audited the accompanying statements of net position of Metropolitan Wastewater Management Commission (MWMC) (a component unit of the City of Springfield, Oregon), as of June 30, 2015, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise MWMC'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 MWMC'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 MWMC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Wastewater Management Commission as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) 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 MD&A 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MPMC's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of MPMC'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 that 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MPMC's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 22, 2015, on our consideration of MPMC's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules.

The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By:  _____
Ryan T. Pasquarella, A Shareholder
December 22, 2015

Metropolitan Wastewater Management Commission



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Management's Discussion and Analysis

Metropolitan Wastewater Management Commission



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Metropolitan Wastewater Management Commission (MWMC), we offer readers of MWMC's financial statements this narrative overview and analysis of the financial activities of MWMC for the fiscal year ended June 30, 2015. Please read it in conjunction with MWMC basic financial statements, which begin on page 9.

Mission

The purpose of the MWMC is to protect health, safety and the environment by providing high quality wastewater management services to the Eugene-Springfield metropolitan area. The MWMC and its regional partners are committed to providing these services in a manner that is effective, efficient, and meets customer service expectations. Since the mid-1990's, the Commission and staff have worked together to identify key outcome areas within which to focus the annual work plan and budget priorities, as well as planning capital and construction administration.

Responsibility and Controls

The City of Springfield performs all administrative duties, as well as planning and capital construction of major capital assets for the MWMC in accordance with the provisions of an intergovernmental service agreement among the City of Springfield, the City of Eugene, and MWMC.

The City of Eugene performs all operations and maintenance duties for the MWMC in accordance with the provisions of the intergovernmental service agreement among the City of Eugene, the City of Springfield, and MWMC.

FINANCIAL HIGHLIGHTS

- Total assets at June 30, 2015 were \$238.6 million and exceeded liabilities by \$140.3 million (i.e. net position). The increase in net position of \$8.5 million was the result of a combination of a rate increase not yet spent on capital projects and a reduction of total debt. Of the total net position, \$4.3 million is restricted for capital improvements, \$49.9 million represents net investment in capital assets, \$8.8 million for debt service, and \$77.4 million is unrestricted and available for future appropriation.
- Operating revenues for the year were \$30.2 million. This is an increase of 1.4% from fiscal year 2014 operating revenue of \$29.8 million
- Total operating and maintenance expenses for the year were \$10 million and the total administration expenses were \$2.8 million compared to the prior year when expenses were \$11.5 and \$2.5 million respectively.

OVERVIEW OF ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of MWMC's financial condition and performance.

The financial statements report information about MWMC using the accrual basis of accounting. As such, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position provides information about the nature and amount of resources and obligations at year-end. The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information on how the net position changed during the year. The statement of cash flows presents changes in cash and cash equivalents resulting from operational, capital and related financing, and investing activities. This statement presents information about cash receipts and cash disbursements, without consideration of the earnings event, when an obligation occurs, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about MWMC's accounting policies, significant account balances and activities, material risks, obligations, commitments, and contingencies.

The financial statements represent a consolidation of six budgetary funds: the Regional Wastewater Fund, the Regional Wastewater Capital Fund, the Regional Wastewater Bond Capital Fund, the Regional Wastewater Improvement SDC Fund, the Regional Wastewater Reimbursement SDC Fund, and the Regional Debt Service Fund. For financial reporting purposes, management considers the activities relating to the operation of wastewater management to be of a unitary nature and they are reported as such. For operational purposes, the accounts of wastewater management are organized on the basis of funds, each of which is considered a separate accounting entity. Supplementary information comparing the budget to actual revenues and expenses is provided.

The financial statements were prepared by City of Springfield staff from the detailed books and records of MWMC. The financial statements were audited during the independent external audit process.

Financial Analysis

The following comparative condensed financial statements serve as the key financial data and indicators for management, monitoring, and planning.

CONDENSED FINANCIAL STATEMENTS
Statements of Net Position

	June 30,	
	2015	2014
Capital assets:		
Producing assets, net	\$ 118,406,201	\$ 123,471,184
Construction in progress	6,441,935	5,474,908
Current and restricted assets	113,788,853	108,069,659
Total assets	238,636,989	237,015,751
Current liabilities	8,000,720	8,026,206
Long-term liabilities	90,310,045	91,181,635
Total liabilities	98,310,765	99,207,841
Net position:		
Net investment in capital assets	49,901,799	51,268,482
Restricted for capital improvement	4,257,063	3,947,500
Restricted for debt service	8,770,908	8,770,908
Unrestricted	77,396,454	73,821,020
Total net position	\$ 140,326,224	\$ 137,807,910

The largest portion of MWMC's net position is its unrestricted assets, followed by investment in capital assets, and then the restricted amounts held for investment in the capital improvement plan.

Statements of Revenues, Expenses, and Changes in Net Position

	June 30,	
	2015	2014
Operating revenues	\$ 30,166,903	\$ 29,783,219
Operations & maintenance	(9,978,175)	(11,468,669)
Administration	(2,752,283)	(2,524,876)
Depreciation	(7,760,533)	(8,188,501)
Operating income	9,675,912	7,601,173
Non-operating revenues (expenses), net (includes capital contributions)	(1,143,049)	(1,068,641)
Change in net position	\$ 8,532,863	\$ 6,532,532

Operating revenues increased by 1.3% from fiscal year 2014 to 2015. This increase was primarily due to an increase in user fees, offset by the loss of a large industrial customer from a fire and a decrease in renewable energy rebates and septage fees.

Operating expenses for the year ended June 30, 2015 decreased by 7.6% from the previous year. The decrease can be attributed to the Cities of Springfield and Eugene (from whom MWMC contracts its employees) implementing a new accounting and reporting standard for pensions that resulted in a \$6 million dollar prior period adjustment for the MWMC. To further complicate matters, the State's Legislature passed pension reforms in a prior year that resulted in the Cities PERS net pension liability becoming a net pension asset. The reduction of pension expenses that resulted from this legislation was allocated across all business-type activities and resulted in significant decreases in expenses compared to the prior year. This is a temporary decrease as the PERS legislation was subsequently challenged in the courts and overturned and we will see a large adjustment reversing the decrease in the following year. The impact of the legislation was a \$2.2 million decrease in expenses. If we were to remove the impact of this adjustment, operating expenses increased by 6.4%. The increase was related to personnel costs for operations and administration, with materials and services remaining relatively flat. Depreciation actually decreased by 5% as fewer projects were completed and added in this fiscal year while some older assets are now fully depreciated. Non-operating expenses (interest and loss on disposal of assets) decreased by 6.2% from fiscal year 2014 primarily due to interest expense decreasing as debt is being reduced and a gain on disposal of assets in fiscal year 2015.

Capital Assets

MWMC's investment in capital assets as of June 30, 2015 was \$124.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and other assets. The net decrease in the MWMC's investment in capital assets for the current fiscal year was 3.2%. MWMC has added assets this year as part of the continuing capital improvement plan in place for the facilities upgrades, but the increase in assets was not as high as the annual depreciation.

Major capital asset events during the current fiscal year included the following:

- Construction continued on the Biosolids Force Main Rehab, adding \$1.6 million to work in progress.
- Work began on Increase Digestion Capacity, with expenses of \$.5 million in the current year.
- Operations & Maintenance Building Improvements have begun, spending \$.2 million in the current year.
- \$125,000 was spent harvesting poplar trees from Management Unit 1 of the Biocycle Farm. Complete harvest of this unit will be completed in FY16.
- Planning and design work continued for the Thermal Load project spending \$149,000 in the current year.

MWMC's Capital Assets
(net of depreciation)

	June 30,	
	2015	2014
Land	\$ 7,731,550	\$ 7,731,550
Construction in progress	6,441,935	5,474,908
Buildings	60,229,756	63,713,006
Machinery and equipment	48,824,108	50,259,915
Other assets	1,620,787	1,766,713
 Total	 \$ 124,848,136	 \$ 128,946,092

Debt Administration:

At the end of the current fiscal year, the MWMC had total bonded debt outstanding of \$73.5 million, all of which is secured solely by sewer revenue sources. Notes payable were comprised entirely of State Revolving Fund Loans (SRF) which were obtained as additional funding to implement the Facilities Plan at more advantageous interest rates than would result from issuing another revenue bond.

Additional information on the MWMC's capital assets and related debt can be found in Note F and Note H, beginning on page 16 of this report.

Economic Factors and Next Year's Budget and Rates:

For the year ended June 30, 2015, MWMC approved a 3.5% rate increase that was effective July 1, 2014 (a 3% increase was effective July 1, 2013). The new rate resulted in an average residential billing of \$24.12 per month based on typical residential consumption of 5,000 gallons. The budget included an annual capital contribution of \$7.2 million in order to fund implementation of the Facilities Plan. The budget also reflected the activities of a very large capital improvement program that will span at least 15 years and is estimated to cost around \$196 million (in 2006 dollars). MWMC issued the first of a series of revenue bonds in November 2006 for \$47.3 million, with a second series issued in November 2008 for \$50.7 million.

The FY 2015-16 budget reflects an 2% rate increase over the 2015 rates. The rates fund operations, administrative services, debt service, capital contributions, and satisfy bond coverage requirements. The new budget also includes an annual capital contribution of \$8.5 million in order to fund the Facilities Plan.

Requests for Information

This financial report is designed to provide our citizens and rate payers with a general overview of the finances for those funds maintained by the MWMC and to show MWMC's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

MWMC Accountant
City of Springfield
225 Fifth Street,
Springfield, OR 97477

Basic Financial Statements

Metropolitan Wastewater Management Commission



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Metropolitan Wastewater Management Commission
Statement of Net Position
June 30, 2015

ASSETS

Capital assets:

Plant and buildings	\$ 121,283,258
Machinery and equipment	117,070,434
Other assets	5,162,511
Total capital assets being depreciated	243,516,203
Less accumulated depreciation	(132,841,552)
Total capital assets being depreciated, net	110,674,651
Land	7,731,550
Construction in progress	6,441,935
Total capital assets	124,848,136

Current assets:

Cash and investments	81,132,439
Intergovernmental receivable	3,356,116
Accrued interest	285,734
Prepaid expenses	19,107
Deposits	700,000
Total current assets	85,493,396

Restricted assets:

Cash and investments	27,686,313
Notes receivable (System Development Charges) - non current	609,144
Total restricted assets	28,295,457
Total assets	238,636,989

LIABILITIES

Current liabilities:

Accounts and contracts payable	2,204,172
Other accrued liabilities	59,242
Interest payable	698,519
Current portion of notes payable	892,947
Current portion of revenue bonds payable	4,135,000
Unearned revenues	10,840
Total current liabilities	8,000,720

Long-term liabilities:

Due to other governments	4,099,493
Notes payable	14,887,024
Revenue bonds payable (net of unamortized premium and current portion)	71,323,528
Total long-term liabilities	90,310,045
Total liabilities	98,310,765

NET POSITION

Net investment in capital assets	49,901,799
Restricted for capital improvement	4,257,063
Restricted for debt service	8,770,908
Unrestricted	77,396,454
Total net position	\$ 140,326,224

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Operating revenues:	
Sewer user fees	\$ 30,154,506
Other operating receipts	12,397
	<u>30,166,903</u>
Operating expenses:	
Operations and maintenance	9,978,175
Administration	2,752,283
Depreciation	7,760,533
	<u>20,490,991</u>
	<u>9,675,912</u>
Non-operating revenues (expenses):	
Interest income	468,823
Interest expense	(3,754,689)
Lease income	49,252
Gain on disposal of assets	11,269
Miscellaneous revenue	17,684
	<u>(3,207,661)</u>
	<u>6,468,251</u>
Capital contributions	<u>2,064,612</u>
	<u>8,532,863</u>
Net position, beginning of year, as restated (Note J)	<u>131,793,361</u>
Net position, end of year	<u>\$140,326,224</u>

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission
Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from customers	\$ 29,680,750
Cash paid to other governments	(3,639,166)
Cash paid to suppliers for goods and services	(11,303,157)
Other operating receipts	24,409
Net cash provided by operating activities	<u>14,762,836</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(3,651,308)
Proceeds from issuance of notes payable	167,132
Principal paid on notes payable	(737,811)
Principal paid on revenue bonds payable	(3,950,000)
Interest payments	(3,935,205)
Capital contributions	2,040,797
Net cash used in capital and related financing activities	<u>(10,066,395)</u>
Cash flows from investing activities:	
Interest received	535,681
Lease income	49,252
Net cash provided by investing activities	<u>584,933</u>
Net increase in cash and investments	5,281,374
Cash and investments, beginning of year	<u>103,537,378</u>
Cash and investments, end of year	<u>\$ 108,818,752</u>
Statement of Net Position captions are as follows:	
Cash and investments	\$ 81,132,439
Restricted assets - cash and investments	27,686,313
	<u>\$ 108,818,752</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 9,675,912
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,760,533
Miscellaneous revenue	17,684
Changes in assets and liabilities:	
Intergovernment receivable	(473,756)
Prepaid expenses	(7,107)
Accounts and contracts payable	(32,159)
Due to other governments	(2,172,599)
Unearned revenue	(5,672)
Net cash provided by operating activities	<u>\$ 14,762,836</u>

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission



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METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Wastewater Management Commission (MWMC) (a component unit of the City of Springfield, Oregon) was established on February 9, 1977 through an intergovernmental agreement between Lane County and the Cities of Eugene and Springfield. It was formed to construct, operate, and maintain regional sewage facilities. The Commission is composed of seven voting members from Eugene, Springfield, and Lane County. Three of the seven members are elected officials from each of the partner agencies' governing bodies.

The financial operations of MWMC are reported as an entity using enterprise fund accounting. It is MWMC's intent that the costs of providing services to users on a continuing basis will be financed or recovered primarily through an equitable fee levied on all user classes.

Reporting Entity

These financial statements include all funds, organizations, departments, and offices that are not legally separate from the MWMC. The City of Springfield, Oregon, under the criteria of the GASB, considers the MWMC to be a component unit. The City provides all administrative functions for MWMC in accordance with an intergovernmental agreement. Given the nature and significance of MWMC's relationship to the City, the City believes it would be misleading to exclude MWMC from its basic financial statements.

The City of Springfield performs all administrative duties and construction of major capital assets for MWMC in accordance with the provisions of a July 14, 1983 service agreement, which was updated and reaffirmed in 2005. The City of Eugene performs all operations and maintenance duties for MWMC under the same updated service agreement. The agreement is part of an arrangement among the Cities of Eugene and Springfield and MWMC whereby the two Cities perform all necessary operational and staff support activities of MWMC.

Basis of Accounting

The financial operations of MWMC are accounted for using the accrual basis of accounting. As such, revenues are recognized when they are earned and expenses are recognized when they are incurred.

All activities of the MWMC are accounted for within six proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to a private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the MWMC is determined by its measurement focus. The transactions of the MWMC are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets less total liabilities) is segregated into three categories: net investment in capital assets; restricted for capital improvements; restricted for debt service; and unrestricted net position.

MWMC distinguishes operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services to users. The principal operating revenues involve charges for services and the major operating expenses include the costs of plant operation and maintenance, administration, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported in these financial statements as non-operating revenues and expenses.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Investments

MWMC participates in a cash and investment pool maintained by the City of Springfield as well as a separate MWMC LGIP account. The amount reported as cash and investments is the MWMC share of the total City of Springfield cash and investment pool in addition to the separate MWMC LGIP account. As of June 30, 2015, MWMC does not maintain investments separate from the investment pools.

State statutes authorize the City to invest in obligations of the U.S. Treasury and its agencies, bankers' acceptances, high grade commercial paper, the State of Oregon Local Government Investment Pool, and repurchase agreements.

Investments are stated at fair value.

For purpose of the statement of cash flows, cash and investments in the City-wide investment pool (including restricted cash and investments) are considered cash and cash equivalents. The pool has the general characteristics of a demand deposit account for MWMC in that MWMC may deposit additional cash at any time and may withdraw cash at any time without prior notice or penalty.

Accounts Receivable

The municipal water utilities for the Cities of Eugene and Springfield bill and collect sewer user fees. The collected amounts are due to MWMC. Accordingly, MWMC records the amounts due from the local water utilities as its accounts receivable. Both utilities have historically collected over 99% of accounts receivable, therefore no allowance for uncollectible amounts is recorded.

Restricted Assets

Assets whose use is restricted for construction or other purposes by provisions of state law, grants, or other agreements are segregated.

When both restricted and unrestricted resources are available for use, it is MWMC's practice to use restricted resources first, when applicable, then unrestricted resources as they are needed.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Cost includes labor, materials, and related indirect costs. The cost of additions, renewals, and betterments over \$10,000 are capitalized. Repairs and minor replacements are charged to operating expenses.

All depreciation is accumulated and shown as a reduction of historical costs reported on the Statement of Net Position. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. Upon disposal of such assets, the accounts are relieved of the related historical costs and accumulated depreciation and resulting gains and losses are reflected in income.

The estimated useful lives agree with those used for cost analysis purposes as required by federal regulations. They are as follows:

Plant and buildings	10 – 40 years
Machinery and equipment	5 – 15 years

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Interest is capitalized on assets acquired with tax exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Accumulated Unpaid Vacation, Sick Pay and Other Benefit Amounts

The portions of accumulated unpaid vacation, sick, and compensatory time that are not expected to be paid within the year are reported as long-term liabilities as “due to other governments” since all employees are contracted from the cities of Eugene and Springfield.

Long-term Debt

Long-term debt is reported as a liability in the Statement of Net Position. Bond issuance costs and deferred amounts on refunding, are expensed in full in the year incurred. Bond premiums and discounts are amortized using the bonds outstanding method.

Use of Estimates

In preparing the Commission’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

MWMC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets. MWMC carries commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE B – INTERGOVERNMENTAL AGREEMENTS

In accordance with the MWMC service agreement dated July 14, 1983 and updated on July 5, 2005, the City of Eugene is responsible for the operations of the regional sewage facilities. The agreement obligated MWMC for costs incurred by the City of Eugene in operating and maintaining the Regional Sewage Facilities. These costs include employee benefits for City of Eugene employees. The interagency payable at June 30, 2015 for operation and maintenance costs incurred by the City of Eugene is \$1,417,887 (\$946,587 for 2014). The total costs charged to MWMC for the year ended June 30, 2015 were \$9,978,175 (\$11,468,669 for 2014).

The City of Springfield, in accordance with the MWMC service agreement dated July 14, 1983 and updated July 5, 2005, provides the technical, financial, and administrative support services to MWMC. Costs charged to MWMC for the years ended June 30, 2015 and 2014 were \$2,752,283 and \$2,524,876 respectively and include employee benefits for City of Springfield employees.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B – INTERGOVERNMENTAL AGREEMENTS – Continued

These costs include a pro-rata share of other post-employment benefits, specifically medical, dental and vision coverage for eligible retirees, their spouses, domestic partners, and dependents on a self-pay basis. Due to the effect of age, retiree claim costs are generally higher than claim costs for all members as a whole. The difference between retiree claim costs and the amount of retiree healthcare premiums represents implicit employer contribution. In addition, life insurance benefits are provided to fully disabled employees. The actuarial computed liability for the plan at June 30, 2015 was \$141,923.

The MWMC has no employees of their own. All personnel costs reflected are related to the employees of the cities of Eugene and Springfield contracted to do the work of the MWMC. In addition to the post-employment benefit liability referenced above, the MWMC has recorded an interagency payable to the respective cities for the compensated absences of \$620,045, and the net pension liability of \$3,337,525 computed for those employees. The total interagency payable due to the cities of Eugene and Springfield is \$4,099,493.

NOTE C – COMMITMENTS AND CONTINGENCIES

At June 30, 2015, MWMC was obligated by contracts for uncompleted construction projects for \$5,824,258. At June 30, 2014, the obligation on contracts for capital improvements projects was \$1,712,403.

NOTE D – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

MWMC follows these procedures in establishing the budgetary data reflected in the statements presented in the supplementary information section.

In the spring of each year, the Executive Officer submits a proposed budget to the Metropolitan Wastewater Management Commission. The budget is prepared on the modified accrual basis of accounting. Estimated revenues and expenditures are budgeted for by fund, department, and category. Information on the past year's actual receipts and expenditures and the current-year amended budget are provided in the budget document. MWMC conducts a public hearing for the purpose of obtaining citizen comments on the budget. MWMC then adopts the budget. All three governmental bodies included in the intergovernmental agreement, the City of Springfield, the City of Eugene, and Lane County, ratify the budget as appropriate. MWMC then makes a final approval by resolution.

MWMC may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets. Any changes adopted by MWMC in this manner must also be adopted by the City of Springfield, because MWMC's budget is included in the budget of the City of Springfield. Management may transfer budget amounts between individual line items within the control level, but cannot make changes between the legal levels of control. During the fiscal year ended June 30, 2015, MWMC adopted several transfer resolutions and supplemental budgets increasing expenditures by \$2,470,117. This was funded by reserves and adjustments to beginning cash - carrying forward budget planned, but not spent at the end of FY 2014.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E – RESTRICTED CASH AND INVESTMENTS

The Commission maintains cash and investments in several fund accounts in accordance with bond resolutions and Commission authorization. Descriptions of these fund account types are as follows:

Construction funds – Used to account for legally restricted cash and investments for the purpose of construction of capital projects. Funds include proceeds from the issuance of bonds and notes and interest earned on those proceeds.

System Development Charge Reserves – Used to account for charges assessed and collected in conjunction with installation of new sewer services in the Regional Sewer System and are restricted by State of Oregon Statutes to system enhancements and other related capital expenditures.

Debt Service Reserves – Deposits held for debt service coverage pursuant to bond indentures and in lieu of, or replacing, bond sureties.

Investments for Bond Principal and Interest – Used to account for cash and investments restricted by Bond Indentures of Trust for future payment of principal and interest on debt.

State Revolving Loan reserves – Deposits held for debt service as required by the State of Oregon Department of Environmental Quality for Clean Water State Revolving Fund Loan Agreements.

Insurance Reserve - Deposits held by direction of the Commission for use towards future insurance claims.

Detailed amounts for restricted cash and investments were as follows:

<u>Current</u>	<u>2015</u>
Construction funds	\$ 13,086,686
Debt service reserves	8,100,000
State Revolving Fund loan reserves	670,908
System development charge reserves	3,647,919
Investments for bond principal and interest	2,000,000
Insurance reserve	<u>180,800</u>
Current restricted cash	<u>\$ 27,686,313</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,731,550	\$ -	\$ -	\$ 7,731,550
Construction in progress	5,474,908	967,027	-	6,441,935
Total capital assets, not being depreciated	<u>13,206,458</u>	<u>967,027</u>	<u>-</u>	<u>14,173,485</u>
Capital assets, being depreciated:				
Buildings	120,580,640	702,618	-	121,283,258
Machinery and equipment	115,220,439	1,985,362	(135,367)	117,070,434
Other	5,152,039	10,472	-	5,162,511
Total capital assets, being depreciated	<u>240,953,118</u>	<u>2,698,452</u>	<u>(135,367)</u>	<u>243,516,203</u>
Less accumulated depreciation for:				
Buildings	(56,867,634)	(4,185,868)	-	(61,053,502)
Machinery and equipment	(64,960,524)	(3,418,267)	132,465	(68,246,326)
Other	(3,385,326)	(156,398)	-	(3,541,724)
Total depreciation	<u>(125,213,484)</u>	<u>(7,760,533)</u>	<u>132,465</u>	<u>(132,841,552)</u>
Total capital assets, being depreciated, net	<u>115,739,634</u>	<u>(5,062,081)</u>	<u>(2,902)</u>	<u>110,674,651</u>
Capital assets, net	<u>\$ 128,946,092</u>	<u>\$ (4,095,054)</u>	<u>\$ (2,902)</u>	<u>\$ 124,848,136</u>

NOTE G – REBATABLE ARBITRAGE

MWMC issued revenue bonds in the amount of \$47,270,000 on November 14, 2006, and \$50,730,000 on November 20, 2008. Interest earnings on unspent bond proceeds may result in an arbitrage rebate due to the federal government. Arbitrage regulations require that the first installment date computation be made at five years from the delivery date. The rebate is required to be made within 60 days of the calculation. MWMC's liability is estimated at zero as of June 30, 2015.

NOTE H – LONG TERM DEBT

Revenue Bonds

The Metropolitan Wastewater Management Commission sold \$47,270,000 in revenue bonds in November 2006 to provide resources to finance the capital improvements program. The bond premium of \$3,128,675 is being amortized over the life of the bonds. An additional bond issuance of \$50,730,000 was issued November 20, 2008, with a bond premium of \$283,564 being amortized over the life of the bonds. Reserves are maintained in accordance to the bond covenants in the amounts of \$3.7 million and \$4.0 million respectively.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H – LONG TERM DEBT - Continued

Revenue obligation bonds payable transactions for the year ended June 30, 2015 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2014	Issued During Year	Matured During Year	Outstanding June 30, 2015	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2006	11/15/2006	2025	3.966%	\$ 35,455,000	-	\$ 1,985,000	\$ 33,470,000	\$ 2,090,000
Series 2008	11/20/2008	2028	4.910%	\$ 41,985,000	-	\$ 1,965,000	\$ 40,020,000	\$ 2,045,000

Maturities of bond principal and interest are as follows:

Fiscal Year	Principal	Interest
2016	\$ 4,135,000	\$ 3,574,625
2017	4,325,000	3,384,000
2018	4,535,000	3,173,150
2019	4,770,000	2,940,525
2020	5,015,000	2,695,900
2021-25	29,195,000	9,345,541
2026-29	21,515,000	1,911,742
Total	\$ 73,490,000	\$ 27,025,481

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H – LONG TERM DEBT - Continued

Notes Payable

At June 30, 2015, notes payable are as follows:

Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.77%, due 2030.	\$ 2,641,544
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, zero interest, due 2030.	1,500,000
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.44%, due 2030.	6,709,217
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.65%, due 2032.	3,677,784
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 1.25%, due 2030.	<u>1,251,426</u>
Total	<u><u>\$ 15,779,971</u></u>

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	<u>\$ 16,350,650</u>	<u>\$ 167,131</u>	<u>\$ (737,811)</u>	<u>\$ 15,779,970</u>	<u>\$ 892,947</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H – LONG TERM DEBT - Continued

Principal and interest amounts due on these notes payable in each of the next five years, and in the aggregate thereafter, are as follows:

Fiscal Year	Principal	Interest
2016	\$ 892,947	\$ 444,896
2017	1,051,124	391,184
2018	1,071,971	366,450
2019	1,093,314	341,131
2020	1,086,889	315,218
2021-25	4,413,464	1,207,471
2026-30	4,946,076	558,362
2031-33	1,224,186	41,470
Total	<u>\$ 15,779,971</u>	<u>\$ 3,666,182</u>

The MWMC maintained a loan reserve of \$641,728 as of June 30, 2015 in accordance with the loan agreements with the Oregon Department of Environmental Quality.

NOTE I – NEW PRONOUNCEMENTS

The Metropolitan Wastewater Management Commission implemented the following pronouncement during the fiscal year:

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement was implemented in the current year.

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement was implemented in the current year.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement was implemented in the current year.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE I – NEW PRONOUNCEMENTS – Continued

The Metropolitan Wastewater Management Commission will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

GASB Statement No. 72 “Fair Value Measurement and Application” addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. The statement is effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, completes the suite of pension standards. The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The statement is generally effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. This statement replaces Statement No. 46, “Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans” as amended, and Statement 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”, as amended, and Statement No. 50, “Pension Disclosures”. This statement is effective for financial statement periods beginning after June 15, 2016.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for fiscal years beginning after June 15, 2015.

NOTE J – PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$6,014,549 has been recorded in fiscal year 2015 to decrease the beginning net position. GASB Statement 68 was implemented by the cities of Eugene and Springfield and requires that net pension liability be recorded as of June 30, 2015. This resulted in payroll expenses and a liability to other government agencies because all employees of MWMC are contracted from those cities. MWMC has recorded a prior period adjustment of \$5,531,246 relating to these payroll costs, and another adjustment of \$483,303 for accrued compensated absences to the City of Eugene. MWMC is responsible for payment to the individual Cities for the portions related to the employees contracted to the Commission.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2015, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

Metropolitan Wastewater Management Commission



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Supplementary Information

Metropolitan Wastewater Management Commission



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Metropolitan Wastewater Management Commission
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 Year Ended June 30, 2015

	Regional Wastewater Fund	Regional Wastewater Capital Fund	Regional Wastewater Bond Capital Fund	Regional Wastewater Improve SDC Fund	Regional Wastewater Reimb SDC Fund	Regional Wastewater Debt Service Fund	Eliminations	Total
Revenues:								
Charges for services	\$ 30,530,024	\$ 167	\$ -	\$ 1,914,858	\$ 152,793	\$ -	\$ (329,472)	\$ 32,268,370
Investment earnings	84,901	81,056	289,635	11,740	1,491	-	-	468,823
Licenses and permits	10,897	-	-	-	-	-	-	10,897
Fines and forfeitures	1,500	-	-	-	-	-	-	1,500
Miscellaneous receipts	17,673	11	-	-	-	-	-	17,684
Total revenues	30,644,995	81,234	289,635	1,926,598	154,284	-	(329,472)	32,767,274
Expenses:								
Current operating:								
Finance	115,201	-	-	-	-	-	-	115,201
Development and public works	12,943,247	-	-	1,371	110	-	(329,472)	12,615,256
Debt service:								
Interest	428,817	(156,434)	(14,178)	-	-	3,496,484	-	3,754,689
Depreciation	7,760,533	-	-	-	-	-	-	7,760,533
Total expenses	21,247,798	(156,434)	(14,178)	1,371	110	3,496,484	(329,472)	24,245,679
Excess of revenues over (under) expenses	9,397,197	237,668	303,813	1,925,227	154,174	(3,496,484)	-	8,521,595
Other financing sources (uses):								
Transfers in	3,784,190	10,422,811	1,965,000	-	-	7,706,701	(23,878,702)	-
Transfers out	(14,744,512)	(1,119,336)	(2,416,391)	(1,400,000)	(17,890)	(4,180,574)	23,878,702	-
Loss on disposal of assets	11,269	-	-	-	-	-	-	11,269
Total other financing sources (uses)	(10,949,053)	9,303,475	(451,391)	(1,400,000)	(17,890)	3,526,127	-	11,268
Change in net position	(1,551,856)	9,541,143	(147,578)	525,227	136,284	29,643	-	8,532,863
Net position, beginning of year, as restated	139,471,072	12,205,428	(22,919,975)	3,255,703	422,069	(640,936)	-	131,793,361
Net position, end of year	\$ 137,919,216	\$ 21,746,571	\$ (23,067,553)	\$ 3,780,930	\$ 558,353	\$ (611,293)	\$ -	\$ 140,326,224

Metropolitan Wastewater Management Commission
REGIONAL WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 30,170,000	\$ 30,020,000	\$ 30,506,060	\$ 486,060	\$ 23,964	\$ 30,530,024
Investment earnings	110,000	110,000	58,569	(51,431)	26,332	84,901
Licenses and permits	9,200	9,200	11,373	2,173	(476)	10,897
Fines and forfeitures	600	600	1,500	900	-	1,500
Miscellaneous revenue	700,500	700,500	3,501	(696,999)	14,172	17,673
Total revenues	<u>30,990,300</u>	<u>30,840,300</u>	<u>30,581,003</u>	<u>(259,297)</u>	<u>63,992</u>	<u>30,644,995</u>
Expenses:						
Current operating:						
Finance	123,702	123,702	115,201	8,501	-	115,201
Development and public works	16,553,945	16,311,183	14,822,997	1,488,186	(1,879,750)	12,943,247
Debt service:						
Principal	1,013,274	1,013,274	737,811	275,463	(737,811)	-
Interest	444,007	444,007	409,079	34,928	19,738	428,817
Depreciation	-	-	-	-	7,760,533	7,760,533
Total expenses	<u>18,134,928</u>	<u>17,892,166</u>	<u>16,085,088</u>	<u>1,807,078</u>	<u>5,162,710</u>	<u>21,247,798</u>
Excess of revenues over (under) expenses	<u>12,855,372</u>	<u>12,948,134</u>	<u>14,495,915</u>	<u>1,547,781</u>	<u>(5,098,718)</u>	<u>9,397,197</u>
Other financing sources (uses):						
Transfers in	17,890	17,890	17,890	-	3,766,300	3,784,190
Transfers out	(13,806,701)	(14,006,701)	(14,006,701)	-	(737,811)	(14,744,512)
Gain (loss) on disposal of assets	-	-	-	-	11,269	11,269
Total other financing sources (uses)	<u>(13,788,811)</u>	<u>(13,988,811)</u>	<u>(13,988,811)</u>	<u>-</u>	<u>3,039,758</u>	<u>(10,949,053)</u>
Change in net position	(933,439)	(1,040,677)	507,104	1,547,781	(2,058,960)	(1,551,856)
Net position, beginning of year, as restated	<u>13,693,350</u>	<u>15,650,933</u>	<u>15,650,934</u>	<u>-</u>	<u>123,820,138</u>	<u>139,471,072</u>
Net position, end of year	<u>\$ 12,759,911</u>	<u>\$ 14,610,256</u>	<u>\$ 16,158,038</u>	<u>\$ 1,547,781</u>	<u>\$ 121,761,178</u>	<u>\$ 137,919,216</u>

Metropolitan Wastewater Management Commission
REGIONAL WASTEWATER CAPITAL FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Intergovernmental revenue	\$ -	\$ -	\$ 167	\$ 167	\$ -	\$ 167
Investment earnings	100,000	100,000	51,947	(48,053)	29,109	81,056
Miscellaneous receipts	-	-	11	11	-	11
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>52,125</u>	<u>(47,875)</u>	<u>29,109</u>	<u>81,234</u>
Expenses:						
Current operating:						
Development and public works	1,673,400	2,469,028	966,069	1,502,959	(966,069)	-
Capital projects	2,328,398	2,482,622	153,267	2,329,355	(153,267)	-
Debt service:						
Interest	-	-	-	-	(156,434)	(156,434)
Total expenses	<u>4,001,798</u>	<u>4,951,650</u>	<u>1,119,336</u>	<u>3,832,314</u>	<u>(1,275,770)</u>	<u>(156,434)</u>
Excess of revenues over (under) expenses	<u>(3,901,798)</u>	<u>(4,851,650)</u>	<u>(1,067,211)</u>	<u>3,784,439</u>	<u>1,304,879</u>	<u>237,668</u>
Other financing sources (uses):						
Transfers in	7,500,000	7,700,000	7,700,000	-	2,722,811	10,422,811
Transfers out	-	-	-	-	(1,119,336)	(1,119,336)
Loan proceeds	175,000	175,000	173,917	(1,083)	(173,917)	-
Total other financing sources (uses)	<u>7,675,000</u>	<u>7,875,000</u>	<u>7,873,917</u>	<u>(1,083)</u>	<u>1,429,558</u>	<u>9,303,475</u>
Change in net position	3,773,202	3,023,350	6,806,706	3,783,356	2,734,437	9,541,143
Net position, beginning of year	<u>63,476,259</u>	<u>65,789,817</u>	<u>65,789,817</u>	<u>-</u>	<u>(53,584,389)</u>	<u>12,205,428</u>
Net position, end of year	<u>\$ 67,249,461</u>	<u>\$ 68,813,167</u>	<u>\$ 72,596,523</u>	<u>\$ 3,783,356</u>	<u>\$ (50,849,952)</u>	<u>\$ 21,746,571</u>

Metropolitan Wastewater Management Commission
REGIONAL WASTEWATER BOND CAPITAL FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Investment earnings	\$ 200,000	\$ 200,000	\$ 296,211	\$ 96,211	\$ (6,576)	\$ 289,635
Expenses:						
Capital projects	10,937,849	12,500,876	2,416,391	10,084,485	(2,416,391)	-
Debt service:						
Interest	-	-	-	-	(14,178)	(14,178)
Total expenses	10,937,849	12,500,876	2,416,391	10,084,485	(2,430,569)	(14,178)
Excess of revenues over (under) expenses	(10,737,849)	(12,300,876)	(2,120,180)	10,180,696	2,423,993	303,813
Other financing sources (uses):						
Transfers in	-	-	-	-	1,965,000	1,965,000
Transfers out	-	-	-	-	(2,416,391)	(2,416,391)
Total other financing sources (uses)	-	-	-	-	(451,391)	(451,391)
Change in net position	(10,737,849)	(12,300,876)	(2,120,180)	10,180,696	1,972,602	(147,578)
Net position, beginning of year	18,249,950	19,206,866	19,206,866	-	(42,126,841)	(22,919,975)
Net position, end of year	<u>\$ 7,512,101</u>	<u>\$ 6,905,990</u>	<u>\$ 17,086,686</u>	<u>\$ 10,180,696</u>	<u>\$ (40,154,239)</u>	<u>\$ (23,067,553)</u>

Metropolitan Wastewater Management Commission
REGIONAL WASTEWATER IMPROVEMENT SDC FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 750,000	\$ 750,000	\$ 1,905,908	\$ 1,155,908	\$ 8,950	\$ 1,914,858
Investment earnings	7,500	7,500	11,277	3,777	463	11,740
Total revenues	<u>757,500</u>	<u>757,500</u>	<u>1,917,185</u>	<u>1,159,685</u>	<u>9,413</u>	<u>1,926,598</u>
Expenses:						
Current operating:						
Development and public works	3,000	3,000	1,371	1,629	-	1,371
Excess of revenues over (under) expenses	754,500	754,500	1,915,814	1,161,314	9,413	1,925,227
Other financing sources (uses):						
Transfers out	(1,400,000)	(1,400,000)	(1,400,000)	-	-	(1,400,000)
Change in net position	(645,500)	(645,500)	515,814	1,161,314	9,413	525,227
Net position, beginning of year	<u>2,282,352</u>	<u>3,247,528</u>	<u>3,247,528</u>	<u>-</u>	<u>8,175</u>	<u>3,255,703</u>
Net position, end of year	<u>\$ 1,636,852</u>	<u>\$ 2,602,028</u>	<u>\$ 3,763,342</u>	<u>\$ 1,161,314</u>	<u>\$ 17,588</u>	<u>\$ 3,780,930</u>

Metropolitan Wastewater Management Commission
REGIONAL WASTEWATER REIMBURSEMENT SDC FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 82,000	\$ 82,000	\$ 151,799	\$ 69,799	\$ 994	\$ 152,793
Investment earnings	1,800	1,800	1,154	(646)	337	1,491
Total revenues	<u>83,800</u>	<u>83,800</u>	<u>152,953</u>	<u>69,153</u>	<u>1,331</u>	<u>154,284</u>
Expenses:						
Current operating:						
Development and public works	<u>2,000</u>	<u>2,000</u>	<u>110</u>	<u>1,890</u>	<u>-</u>	<u>110</u>
Excess of revenues over (under) expenses	81,800	81,800	152,843	71,043	1,331	154,174
Other financing sources (uses):						
Transfers out	<u>(17,890)</u>	<u>(17,890)</u>	<u>(17,890)</u>	<u>-</u>	<u>-</u>	<u>(17,890)</u>
Change in net position	63,910	63,910	134,953	-	1,331	136,284
Net position, beginning of year	<u>382,525</u>	<u>421,036</u>	<u>421,038</u>	<u>2</u>	<u>1,031</u>	<u>422,069</u>
Net position, end of year	<u>\$ 446,435</u>	<u>\$ 484,946</u>	<u>\$ 555,991</u>	<u>\$ 71,045</u>	<u>\$ 2,362</u>	<u>\$ 558,353</u>

Metropolitan Wastewater Management Commission
REGIONAL WASTEWATER DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Expenses:						
Debt service:						
Principal	\$ 3,950,000	\$ 3,950,000	\$ 3,950,000	\$ -	\$ (3,950,000)	\$ -
Interest	3,756,701	3,756,701	3,756,700	1	(260,216)	3,496,484
Total expenses	<u>7,706,701</u>	<u>7,706,701</u>	<u>7,706,700</u>	<u>1</u>	<u>(4,210,216)</u>	<u>3,496,484</u>
Other financing sources (uses):						
Transfers in	7,706,701	7,706,701	7,706,701	-	-	7,706,701
Transfers out	-	-	-	-	(4,180,574)	(4,180,574)
Total other financing sources (uses)	<u>7,706,701</u>	<u>7,706,701</u>	<u>7,706,701</u>	<u>-</u>	<u>(4,180,574)</u>	<u>3,526,127</u>
Change in net position	-	-	1	-	29,642	29,643
Net position, beginning of year	-	1	1	-	(640,937)	(640,936)
Net position, end of year	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ (611,295)</u>	<u>\$ (611,293)</u>

Metropolitan Wastewater Management Commission



partners in wastewater management

Compliance Section

Metropolitan Wastewater Management Commission



partners in wastewater management



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Governing Board
Metropolitan Wastewater Management Commission
225 5th Street
Springfield, Oregon 97477

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Metropolitan Wastewater Management Commission (a component unit of the City of Springfield, Oregon) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 22, 2015.

Compliance and Order Matters

As part of obtaining reasonable assurance about whether MWMC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe MWMC was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

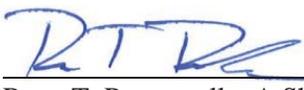
Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MWMC's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MWMC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MWMC's internal control.

Restriction on Use

This report is intended solely for the information and use of the governing board and management of MWMC and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Ryan T. Pasquarella, A Shareholder
December 22, 2015



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board
Metropolitan Wastewater Management Commission
225 5th Street
Springfield, Oregon 97477

We have audited, in accordance with the 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, the financial statements of the Metropolitan Wastewater Management Commission (MWMC), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise MWMC's basic financial statements, and have issued our report thereon dated December 22, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MWMC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MWMC's internal control. Accordingly, we do not express an opinion on the effectiveness of MWMC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MWMC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MWMC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MWMC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MWMC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

December 22, 2015