

REGIONAL WASTEWATER PROGRAM ANNUAL FINANCIAL REPORT JUNE 30, 2014 AND JUNE 30, 2013



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 Years Ended June 30, 2014 and 2013

Metropolitan Wastewater Management Commission



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METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2014 and 2013

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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, 2014

GOVERNING BOARD

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

Lane County
Lane County Commissioner
President

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

Eugene
Citizen Representative
Vice-President

Doug Keeler
3905 Hayden Bridge Rd.
Springfield, OR 97477

Springfield
Citizen Representative

Bill Inge
1831 W. Broadway
Eugene, OR 97402

Lane County
Citizen Representative

George Brown
1740 Graham Drive
Eugene, OR 97405

Eugene
Council Representative

Marilee Woodrow
1009 S. 59th Street
Springfield, OR 97478

Springfield
Council Representative

Walt Meyer
3987 Brae Burn Dr.
Eugene, OR 97405

Eugene
Citizen Representative

ADMINISTRATION

225 Fifth Street
Springfield, Oregon 97477

Leonard J. Goodwin

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 (a component unit of the City of Springfield, Oregon), as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 respective the financial position of Metropolitan Wastewater Management Commission as of June 30, 2014 and 2013, 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.

Supplemental Information

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

The supplemental 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, required supplementary and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 19, 2014, on our consideration of MWMC'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: 
Thomas E. Glogau, A Shareholder
December 19, 2014

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 statement this narrative overview and analysis of the financial activities of MWMC for the fiscal year ended June 30, 2014. 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, 2014 were \$237 million and exceeded liabilities by \$137.8 million (i.e. net position). The increase in net position of \$6.5 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, \$3.9 million was restricted for capital improvements and \$51.3 million represents net investment in capital assets, leaving \$82.6 million unrestricted and available for future appropriation.
- Operating revenues for the year were \$29.8 million. This is an increase of 4.6% from fiscal year 2013 operating revenue of \$28.5 million. Fiscal year 2013 had a 5.6% increase from 2012 increasing from \$27 million to \$28.5 million.
- Total operating and maintenance expenses for the year were \$11.5 million and the total administration expenses were \$2.5 million compared to the prior year when expenses were \$11.8 and \$2.1 million respectively, and 2012 where they were \$11.4 and \$1.9 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 comparative statement of net position; a comparative statement of revenues, expenses, and changes in net position; a comparative 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, 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 comparative 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,		
	2014	2013	2012
Capital assets:			
Producing assets, net	\$ 123,471,184	\$ 129,390,333	\$ 118,005,273
Construction in progress	5,474,908	4,804,397	20,408,240
Current and restricted assets	<u>108,069,659</u>	<u>100,087,361</u>	<u>94,188,833</u>
Total assets	<u>237,015,751</u>	<u>234,282,091</u>	<u>232,602,346</u>
Current liabilities	8,026,206	7,002,577	7,224,090
Long-term liabilities	<u>91,181,635</u>	<u>96,004,136</u>	<u>98,823,228</u>
Total liabilities	99,207,841	103,006,713	106,047,318
Net position:			
Net investment in capital assets	51,268,482	53,832,833	56,690,188
Restricted for capital improvement	3,947,500	3,120,793	2,482,900
Unrestricted	<u>82,591,928</u>	<u>74,321,752</u>	<u>67,381,940</u>
Total net position	<u>\$ 137,807,910</u>	<u>\$ 131,275,378</u>	<u>\$ 126,555,028</u>

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,		
	2014	2013	2012
Operating revenues	\$ 29,783,219	\$ 28,467,204	\$ 26,961,663
Operations & maintenance	(11,468,669)	(11,751,740)	(11,354,222)
Administration	(2,524,876)	(2,092,506)	(1,869,228)
Depreciation	<u>(8,188,501)</u>	<u>(8,356,661)</u>	<u>(8,289,955)</u>
Operating income	7,601,173	6,266,297	5,448,258
Non-operating revenues (expenses), net (includes capital contributions)	<u>(1,068,641)</u>	<u>(1,545,947)</u>	<u>108,752</u>
Change in net position	<u>\$ 6,532,532</u>	<u>\$ 4,720,350</u>	<u>\$ 5,557,010</u>

Operating revenues increased by 4.6% from fiscal year 2013 to 2014 and 5.6% from fiscal year 2012 to 2013. This increase was primarily due to an increase in user fees as well as several new high flow customers. Operating expenses for the year ended June 30, 2014 decreased by less than 1% from the previous year. This was the combination of an increase in administrative costs, offset by lower personal services costs in operations and lower depreciation. From fiscal year 2012 to 2013, operating costs increased 3% with depreciation increasing as a significant amount of new assets were added, and positions did not stay vacant long enough to absorb inflationary increases. Non-operating expenses (interest and loss on disposal of assets) increased by 4.3% from fiscal year 2013, which was 84% higher than fiscal year 2012. This is primarily due to interest expense increasing as State Revolving Fund loans are beginning repayment, and less bond interest is being capitalized every year. Additionally, the loss on disposals of assets was highest in 2013 when asset inventory was updated to scrap obsolete equipment.

Capital Assets

MWMC's investment in capital assets as of June 30, 2014 was \$128.9 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 3.9%, and 3% from fiscal year 2012 to 2013. MWMC has added assets again these years 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 for either year. Other assets in prior years have been reduced from original reporting as a result of a prior period adjustment implementing GASB 65 which requires expensing bond issuance costs as incurred. The adjustment related to bonds issued in prior years.

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

- Construction was completed on the Line Biosolids Lagoon 4 project, adding \$1.4 million to capital assets.
- Another \$.2 million was spent to complete Tertiary Filtration I.
- Mixing Zone Study was completed in 2014, spending \$141K.
- Additionally, \$.9 million was spent on projects that are still classified as construction in progress in 2014.

MWMC's Capital Assets
(net of depreciation)

	June 30,		
	2014	2013	2012
Land	\$ 7,731,550	\$ 7,731,550	\$ 7,731,550
Construction in progress	5,474,908	4,804,397	20,408,240
Buildings	63,713,006	66,419,363	70,445,811
Machinery and equipment	50,259,915	53,471,788	37,908,030
Other assets	1,766,713	1,767,632	1,919,882
Total	\$ 128,946,092	\$ 134,194,730	\$ 138,413,513

Debt Administration:

At the end of the current fiscal year, the MWMC had total bonded debt outstanding of \$77.4 million, all of which is secured solely by sewer revenue sources.

Notes payable at the end of the year 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 issuing another revenue bond.

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

Economic Factors and Next Year's Budget and Rates:

For the year ended June 30, 2014, MWMC approved a 3% rate increase that was effective July 1, 2013 (a 4% increase was effective July 1, 2012). The new rate resulted in an average residential billing of \$23.30 per month based on typical residential consumption of 5,000 gallons. The budget included an annual capital contribution of \$6.3 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 2014-15 budget reflects an 3.5% rate increase over the 2014 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 \$7 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

COMPARATIVE STATEMENTS OF NET POSITION

	June 30,	
	2014	2013
ASSETS		
Capital assets:		
Plant and buildings	\$ 120,580,640	\$ 118,970,425
Machinery and equipment	115,220,439	114,855,627
Other assets	5,152,039	4,996,828
Total capital assets being depreciated	240,953,118	238,822,880
Less accumulated depreciation	(125,213,484)	(117,164,097)
Total capital assets being depreciated, net	115,739,634	121,658,783
Land	7,731,550	7,731,550
Construction in progress	5,474,908	4,804,397
Total capital assets	128,946,092	134,194,730
Current assets:		
Cash and investments	74,125,262	65,258,202
Intergovernmental receivable	2,882,360	2,802,785
Accrued interest	352,592	260,771
Prepaid expenses	12,000	15,795
Deposits	700,000	700,000
Total current assets	78,072,214	69,037,553
Restricted assets:		
Cash and investments	29,412,116	30,568,425
Notes receivable (System Development Charges) - non current	585,329	481,383
Total restricted assets	29,997,445	31,049,808
Total assets	237,015,751	234,282,091
LIABILITIES		
Current liabilities:		
Accounts and contracts payable	2,236,331	1,765,916
Accrued payroll and other liabilities	98,920	90,184
Interest payable	708,423	752,652
Current portion of notes payable	1,016,020	592,985
Current portion of revenue bonds payable	3,950,000	3,790,000
Unearned revenues	16,512	10,840
Total current liabilities	8,026,206	7,002,577
Long-term liabilities:		
Accrued absences payable	79,378	102,384
Net OPEB obligation	138,487	114,494
Notes payable	15,334,630	16,037,506
Revenue bonds payable (net of unamortized premium and current portion)	75,629,140	79,749,752
Total long-term liabilities	91,181,635	96,004,136
Total liabilities	99,207,841	103,006,713
NET POSITION		
Net investment in capital assets	51,268,482	53,832,833
Restricted for capital improvement	3,947,500	3,120,793
Unrestricted	82,591,928	74,321,752
Total net position	\$ 137,807,910	\$ 131,275,378

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the years ended June 30,	
	2014	2013
Operating revenues:		
Sewer user fees	\$ 29,770,653	\$ 28,454,804
Other operating receipts	12,566	12,400
Total operating revenues	29,783,219	28,467,204
Operating expenses:		
Operations and maintenance	11,468,669	11,751,740
Administration	2,524,876	2,092,506
Depreciation	8,188,501	8,356,661
Total operating expenses	22,182,046	22,200,907
Operating income	7,601,173	6,266,297
Non-operating revenues (expenses):		
Interest income	555,576	533,525
Interest expense	(3,983,245)	(3,640,321)
Lease income	108,632	70,813
Loss on disposal of assets	(18,844)	(198,578)
Miscellaneous revenue	48,688	610
Total non-operating revenues (expenses)	(3,289,193)	(3,233,951)
Income before contributions	4,311,980	3,032,346
Capital contributions	2,220,552	1,688,004
Change in net position	6,532,532	4,720,350
Net position, beginning of year	131,275,378	127,054,417
Prior period adjustment	-	(499,389)
Net position, as restated	131,275,378	126,555,028
Net position, end of year	\$ 137,807,910	\$ 131,275,378

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission
COMPARATIVE STATEMENTS OF CASH FLOWS

	For the year ended June 30,	
	2014	2013
Cash flows from operating activities:		
Cash received from customers	\$ 29,691,078	\$ 29,070,092
Cash paid for employee services	(1,429,952)	(1,448,856)
Cash paid to suppliers for goods and services	(12,079,660)	(12,445,873)
Grant and miscellaneous revenue	48,688	610
Other operating receipts	18,238	6,763
Net cash provided by operating activities	16,248,392	15,182,736
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,958,707)	(4,336,456)
Proceeds from issuance of notes payable	435,697	1,710,718
Principal paid on notes payable	(715,538)	(592,985)
Principal paid on revenue bonds payable	(3,790,000)	(3,640,000)
Interest payments	(4,198,086)	(3,847,044)
Capital contributions	2,220,552	1,688,004
Net cash used in capital and related financing activities	(9,006,082)	(9,017,763)
Cash flows from investing activities:		
Interest received	463,755	548,906
Notes receivable issued	(354,632)	(661,138)
Cash received on notes receivable	250,686	375,874
Lease income	108,632	70,813
Net cash provided by investing activities	468,441	334,455
NET INCREASE IN CASH AND INVESTMENTS	7,710,751	6,499,428
Cash and investments, beginning of year	95,826,627	89,327,199
Cash and investments, end of year	\$ 103,537,378	\$ 95,826,627
Statement of Net Position captions are as follows:		
Cash and investments	\$ 74,125,262	\$ 65,258,202
Restricted assets - cash and investments	29,412,116	30,568,425
	\$ 103,537,378	\$ 95,826,627
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,601,173	\$ 6,266,297
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,188,501	8,356,661
Miscellaneous revenue	48,688	610
Changes in assets and liabilities:		
Accounts receivable	(79,575)	615,288
Prepaid expenses	3,795	255,495
Accounts and contracts payable	470,415	(311,907)
Accrued payroll and other liabilities	(14,270)	(14,662)
Intergovernment receivable	23,993	20,591
Unearned revenue	5,672	(5,637)
Net cash provided by operating activities	\$ 16,248,392	\$ 15,182,736

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, 2014 and 2013

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 net of total liabilities) is segregated into three categories: net investment in capital assets; restricted for capital improvements; and unrestricted net assets.

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, 2014 and 2013

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 pool. 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 pool. As of June 30, 2014, 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, 2014 and 2013

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.

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, 2014 for operation and maintenance costs incurred by the City of Eugene is \$946,587 (\$1,217,360 for 2013). The total costs charged to MWMC for the year ended June 30, 2014 were \$11,468,669 (\$11,751,740 for 2013).

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, 2014 and 2013 were \$2,524,876 and \$2,092,506 respectively and include employee benefits for City of Springfield employees.

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, 2014 was \$138,487.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE C – COMMITMENTS AND CONTINGENCIES

At June 30, 2014, MWMC was obligated by contracts for uncompleted construction projects for \$1,712,403. At June 30, 2013, the obligation on contracts for capital improvements projects was \$3,456,269.

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 receipts 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, 2014, MWMC adopted several transfer resolutions and supplemental budgets increasing expenditures and fund balances by \$4,149,803. This was funded by adjustments to beginning cash - carrying forward budget planned, but not spent at the end of FY 2013.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 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	4,804,397	861,373	(190,862)	5,474,908
Total capital assets, not being depreciated	<u>12,535,947</u>	<u>861,373</u>	<u>(190,862)</u>	<u>13,206,458</u>
Capital assets, being depreciated:				
Buildings	118,970,425	1,610,215	-	120,580,640
Machinery and equipment	114,855,627	522,771	(157,959)	115,220,439
Other	4,996,828	155,211	-	5,152,039
Total capital assets, being depreciated	<u>238,822,880</u>	<u>2,288,197</u>	<u>(157,959)</u>	<u>240,953,118</u>
Less accumulated depreciation for:				
Buildings	(52,551,062)	(4,316,572)	-	(56,867,634)
Machinery and equipment	(61,383,839)	(3,715,800)	139,115	(64,960,524)
Other	(3,229,196)	(156,130)	-	(3,385,326)
Total depreciation	<u>(117,164,097)</u>	<u>(8,188,502)</u>	<u>139,115</u>	<u>(125,213,484)</u>
Total capital assets, being depreciated, net	<u>121,658,783</u>	<u>(5,900,305)</u>	<u>(18,844)</u>	<u>115,739,634</u>
Capital assets, net	<u>\$ 134,194,730</u>	<u>\$ (5,038,932)</u>	<u>\$ (209,706)</u>	<u>\$ 128,946,092</u>

Capital asset activity for the year ended June 30, 2013 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	20,408,240	403,364	(16,007,207)	4,804,397
Total capital assets, not being depreciated	<u>28,139,790</u>	<u>403,364</u>	<u>(16,007,207)</u>	<u>12,535,947</u>
Capital assets, being depreciated:				
Buildings	118,614,230	356,195	-	118,970,425
Machinery and equipment	96,646,748	3,576,897	14,631,982	114,855,627
Other	4,996,828	-	-	4,996,828
Total capital assets, being depreciated	<u>220,257,806</u>	<u>3,933,092</u>	<u>14,631,982</u>	<u>238,822,880</u>
Less accumulated depreciation for:				
Buildings	(48,168,419)	(4,382,643)	-	(52,551,062)
Machinery and equipment	(58,738,718)	(3,821,769)	1,176,648	(61,383,839)
Other	(3,076,946)	(152,250)	-	(3,229,196)
Total depreciation	<u>(109,984,083)</u>	<u>(8,356,662)</u>	<u>1,176,648</u>	<u>(117,164,097)</u>
Total capital assets, being depreciated, net	<u>110,273,723</u>	<u>(4,423,570)</u>	<u>15,808,630</u>	<u>121,658,783</u>
Capital assets, net	<u>\$ 138,413,513</u>	<u>\$ (4,020,206)</u>	<u>\$ (198,577)</u>	<u>\$ 134,194,730</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE F – 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, 2014.

NOTE G – 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.

Revenue obligation bonds payable transactions for the year ended June 30, 2014 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2013	Issued During Year	Matured During Year	Outstanding June 30, 2014	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2006	11/15/2006	2025	3.966%	\$ 37,355,000	\$ -	\$ 1,900,000	\$ 35,455,000	\$ 1,985,000
Series 2008	11/20/2008	2028	4.910%	\$ 43,875,000	\$ -	\$ 1,890,000	\$ 41,985,000	\$ 1,965,000

Revenue obligation bonds payable transactions for the year ended June 30, 2013 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2012	Issued During Year	Matured During Year	Outstanding June 30, 2013	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2006	11/15/2006	2025	3.966%	\$ 39,180,000	\$ -	\$ 1,825,000	\$ 37,355,000	\$ 1,900,000
Series 2008	11/20/2008	2028	4.910%	\$ 45,690,000	\$ -	\$ 1,815,000	\$ 43,875,000	\$ 1,890,000

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE G – LONG TERM DEBT - Continued

Maturities of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,950,000	\$ 3,756,700
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
2019-24	27,770,000	10,773,623
2024-29	<u>27,955,000</u>	<u>3,179,557</u>
Total	<u>\$ 77,440,000</u>	<u>\$ 30,782,180</u>

Notes Payable

At June 30, 2014, 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.	\$ 2,781,865
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, zero interest, due 2030.	1,600,000
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.44%, due 2030.	6,946,396
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.65%, due 2032.	3,841,078
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 1.25%, due 2030.	<u>1,181,311</u>
Total	<u>\$ 16,350,650</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE G – LONG TERM DEBT – Continued

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	<u>\$ 16,630,491</u>	<u>\$ 435,697</u>	<u>\$ (715,538)</u>	<u>\$ 16,350,650</u>	<u>\$ 1,016,020</u>

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	<u>\$ 15,512,758</u>	<u>\$ 1,710,718</u>	<u>\$ (592,985)</u>	<u>\$ 16,630,491</u>	<u>\$ 993,747</u>

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
2015	\$ 1,016,020	\$ 439,835
2016	1,035,973	411,887
2017	1,056,405	387,675
2018	1,077,320	362,895
2019	853,672	337,532
2019-24	4,314,879	1,327,809
2024-29	4,834,032	694,780
2029-33	<u>2,162,349</u>	<u>97,205</u>
Total	<u>\$ 16,350,650</u>	<u>\$ 4,059,618</u>

The MWMC maintained a loan reserve of \$643,078 as of June 30, 2014 in accordance with the loan agreements with the Oregon Department of Environmental Quality.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE H – NEW PRONOUNCEMENTS

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

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27,” replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of government operations, and provides guidance for determining the gain or loss on a disposal of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

NOTE I – PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$499,389 has been recorded in fiscal year 2013 to decrease the beginning net position. GASB Statement 65 requires that bond issuance costs be expensed fully in the year they are incurred. This statement is to be applied retroactively, which results in a prior period adjustment for MWMC whose bonds were issued in 2006 and 2008.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2014, 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, 2014

	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	\$ 30,364,429	\$ 296	\$ -	\$ 2,064,082	\$ 156,470	\$ -	\$ (594,072)	\$ 31,991,205
Investment earnings	201,282	104,352	344,278	12,919	1,377	-	-	664,208
Licenses and permits	11,066	-	-	-	-	-	-	11,066
Fines and forfeitures	1,500	-	-	-	-	-	-	1,500
Miscellaneous receipts	48,688	-	-	-	-	-	-	48,688
Total revenues	30,626,965	104,648	344,278	2,077,001	157,847	-	(594,072)	32,716,667
Expenses:								
Current operating:								
Finance	105,286	-	-	-	-	-	-	105,286
Development and public works	14,480,214	-	-	1,961	156	-	(594,072)	13,888,259
Debt service:								
Interest	579,744	(156,434)	(14,178)	-	-	3,574,113	-	3,983,245
Depreciation	8,188,501	-	-	-	-	-	-	8,188,501
Total expenses	23,353,745	(156,434)	(14,178)	1,961	156	3,574,113	(594,072)	26,165,291
Excess of revenues over (under) expenses	7,273,220	261,082	358,456	2,075,040	157,691	(3,574,113)	-	6,551,376
Other financing sources (uses):								
Transfers in	3,392,767	9,435,538	1,890,000	-	-	7,711,426	(22,429,731)	-
Transfers out	(13,846,964)	(836,763)	(2,216,439)	(1,400,000)	(17,520)	(4,112,045)	22,429,731	-
Loss on disposal of assets	(18,844)	-	-	-	-	-	-	(18,844)
Total other financing sources (uses)	(10,473,041)	8,598,775	(326,439)	(1,400,000)	(17,520)	3,599,381	-	(18,844)
Change in net position	(3,199,821)	8,859,857	32,017	675,040	140,171	25,268	-	6,532,532
Net position, beginning of year	148,685,442	3,611,495	(22,751,483)	2,580,663	281,898	(666,204)	-	131,741,811
Prior period adjustment	-	(265,924)	(200,509)	-	-	-	-	(466,433)
Net position, as restated	148,685,442	3,345,571	(22,951,992)	2,580,663	281,898	(666,204)	-	131,275,378
Net position, end of year	\$ 145,485,621	\$ 12,205,428	\$ (22,919,975)	\$ 3,255,703	\$ 422,069	\$ (640,936)	\$ -	\$ 137,807,910

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, 2014

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 29,235,000	\$ 29,235,000	\$ 30,289,167	\$ 1,054,167	\$ 75,262	\$ 30,364,429
Use of money and property	60,000	60,000	155,945	95,945	45,337	201,282
Licenses and permits	9,700	9,700	14,272	4,572	(3,206)	11,066
Fines and forfeitures	200	200	1,500	1,300	-	1,500
Miscellaneous revenue	700,500	700,500	48,688	(651,812)	-	48,688
Total revenues	<u>30,005,400</u>	<u>30,005,400</u>	<u>30,509,572</u>	<u>504,172</u>	<u>117,393</u>	<u>30,626,965</u>
Expenses:						
Current operating:						
Finance	117,202	114,569	105,286	9,283	-	105,286
Development and public works	16,230,591	15,965,453	14,039,727	1,925,726	440,487	14,480,214
Debt service:						
Principal	1,037,555	1,037,555	715,538	322,017	(715,538)	-
Interest	320,988	628,135	598,706	29,429	(18,962)	579,744
Depreciation	-	-	-	-	8,188,501	8,188,501
Total expenses	<u>17,706,336</u>	<u>17,745,712</u>	<u>15,459,257</u>	<u>2,286,455</u>	<u>7,894,488</u>	<u>23,353,745</u>
Excess of revenues over (under) expenses	<u>12,299,064</u>	<u>12,259,688</u>	<u>15,050,315</u>	<u>2,790,627</u>	<u>(7,777,095)</u>	<u>7,273,220</u>
Other financing sources (uses):						
Transfers in	17,520	17,520	17,520	-	3,375,247	3,392,767
Transfers out	(12,811,426)	(13,131,426)	(13,131,426)	-	(715,538)	(13,846,964)
Gain (loss) on disposal of assets	-	-	-	-	(18,844)	(18,844)
Total other financing sources (uses)	<u>(12,793,906)</u>	<u>(13,113,906)</u>	<u>(13,113,906)</u>	<u>-</u>	<u>2,640,865</u>	<u>(10,473,041)</u>
Change in net position	(494,842)	(854,218)	1,936,409	2,790,627	(5,136,230)	(3,199,821)
Net position, beginning of year	<u>12,369,756</u>	<u>13,714,523</u>	<u>13,714,524</u>	<u>-</u>	<u>134,970,918</u>	<u>148,685,442</u>
Net position, end of year	<u>\$ 11,874,914</u>	<u>\$ 12,860,305</u>	<u>\$ 15,650,933</u>	<u>\$ 2,790,627</u>	<u>\$ 129,834,688</u>	<u>\$ 145,485,621</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, 2014

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Intergovernmental revenue	\$ -	\$ -	\$ 296	\$ 296	\$ -	\$ 296
Use of money and property	100,000	100,000	91,290	(8,710)	13,062	104,352
Miscellaneous receipts	-	168,665	168,665	-	(168,665)	-
Total revenues	<u>100,000</u>	<u>268,665</u>	<u>260,251</u>	<u>(8,414)</u>	<u>(155,603)</u>	<u>104,648</u>
Expenses:						
Current operating:						
Development and public works	1,039,532	2,309,264	492,652	1,816,612	(492,652)	-
Capital projects	2,987,226	3,797,427	512,777	3,284,650	(512,777)	-
Debt service:						
Interest	-	-	-	-	(156,434)	(156,434)
Total expenses	<u>4,026,758</u>	<u>6,106,691</u>	<u>1,005,429</u>	<u>5,101,262</u>	<u>(1,161,863)</u>	<u>(156,434)</u>
Excess of revenues over (under) expenses	<u>(3,926,758)</u>	<u>(5,838,026)</u>	<u>(745,178)</u>	<u>5,092,848</u>	<u>1,006,260</u>	<u>261,082</u>
Other financing sources (uses):						
Transfers in	6,500,000	6,820,000	6,820,000	-	2,615,538	9,435,538
Transfers out	-	-	-	-	(836,763)	(836,763)
Loan proceeds	317,500	317,500	540,234	222,734	(540,234)	-
Total other financing sources (uses)	<u>6,817,500</u>	<u>7,137,500</u>	<u>7,360,234</u>	<u>222,734</u>	<u>1,238,541</u>	<u>8,598,775</u>
Change in net position	<u>2,890,742</u>	<u>1,299,474</u>	<u>6,615,056</u>	<u>5,315,582</u>	<u>2,244,801</u>	<u>8,859,857</u>
Net position, beginning of year as originally stated	58,270,290	59,174,759	59,174,761	2	(55,563,266)	3,611,495
Prior period adjustment	-	-	-	-	(265,924)	(265,924)
Net position, beginning of year, as restated	<u>58,270,290</u>	<u>59,174,759</u>	<u>59,174,761</u>	<u>2</u>	<u>(55,829,190)</u>	<u>3,345,571</u>
Net position, end of year	<u>\$ 61,161,032</u>	<u>\$ 60,474,233</u>	<u>\$ 65,789,817</u>	<u>\$ 5,315,584</u>	<u>\$ (53,584,389)</u>	<u>\$ 12,205,428</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, 2014

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Use of money and property	\$ 115,000	\$ 115,000	\$ 336,181	\$ 221,181	\$ 8,097	\$ 344,278
Expenses:						
Capital projects	10,469,756	10,875,833	2,216,439	8,659,394	(2,216,439)	-
Debt service:						
Interest	-	-	-	-	(14,178)	(14,178)
Total expenses	10,469,756	10,875,833	2,216,439	8,659,394	(2,230,617)	(14,178)
Excess of revenues over (under) expenses	(10,354,756)	(10,760,833)	(1,880,258)	8,880,575	2,238,714	358,456
Other financing sources (uses):						
Transfers in	-	-	-	-	1,890,000	1,890,000
Transfers out	-	-	-	-	(2,216,439)	(2,216,439)
Total other financing sources (uses)	-	-	-	-	(326,439)	(326,439)
Change in net position	(10,354,756)	(10,760,833)	(1,880,258)	8,880,575	1,912,275	32,017
Net position, beginning of year as originally stated	20,726,098	21,087,123	21,087,124	1	(43,838,607)	(22,751,483)
Prior period adjustment	-	-	-	-	(200,509)	(200,509)
Net position, beginning of year, as restated	20,726,098	21,087,123	21,087,124	1	(44,039,116)	(22,951,992)
Net position, end of year	<u>\$ 10,371,342</u>	<u>\$ 10,326,290</u>	<u>\$ 19,206,866</u>	<u>\$ 8,880,576</u>	<u>\$ (42,126,841)</u>	<u>\$ (22,919,975)</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, 2014

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 601,000	\$ 601,000	\$ 2,064,082	\$ 1,463,082	\$ -	\$ 2,064,082
Use of money and property	5,000	5,000	9,555	4,555	3,364	12,919
Total revenues	<u>606,000</u>	<u>606,000</u>	<u>2,073,637</u>	<u>1,467,637</u>	<u>3,364</u>	<u>2,077,001</u>
Expenses:						
Current operating:						
Development and public works	3,000	3,000	1,961	1,039	-	1,961
Excess of revenues over (under) expenses	603,000	603,000	2,071,676	1,468,676	3,364	2,075,040
Other financing sources (uses):						
Transfers out	(1,400,000)	(1,400,000)	(1,400,000)	-	-	(1,400,000)
Change in net position	(797,000)	(797,000)	671,676	1,468,676	3,364	675,040
Net position, beginning of year	<u>1,609,352</u>	<u>2,575,852</u>	<u>2,575,853</u>	<u>1</u>	<u>4,810</u>	<u>2,580,663</u>
Net position, end of year	<u>\$ 812,352</u>	<u>\$ 1,778,852</u>	<u>\$ 3,247,529</u>	<u>\$ 1,468,677</u>	<u>\$ 8,174</u>	<u>\$ 3,255,703</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, 2014

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 53,000	\$ 53,000	\$ 156,470	\$ 103,470	\$ -	\$ 156,470
Use of money and property	3,000	3,000	797	(2,203)	580	1,377
Total revenues	<u>56,000</u>	<u>56,000</u>	<u>157,267</u>	<u>101,267</u>	<u>580</u>	<u>157,847</u>
Expenses:						
Current operating:						
Development and public works	2,000	2,000	156	1,844	-	156
Excess of revenues over (under) expenses	54,000	54,000	157,111	103,111	580	157,691
Other financing sources (uses):						
Transfers out	(17,520)	(17,520)	(17,520)	-	-	(17,520)
Change in net assets	36,480	36,480	139,591	-	580	140,171
Net position, beginning of year	<u>197,068</u>	<u>281,445</u>	<u>281,447</u>	<u>2</u>	<u>451</u>	<u>281,898</u>
Net position, end of year	<u>\$ 233,548</u>	<u>\$ 317,925</u>	<u>\$ 421,038</u>	<u>\$ 103,113</u>	<u>\$ 1,031</u>	<u>\$ 422,069</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, 2014

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Expenses:						
Debt service:						
Principal	\$ 3,790,000	\$ 3,790,000	\$ 3,790,000	\$ -	\$ (3,790,000)	\$ -
Interest	3,921,426	3,921,426	3,921,425	1	(347,312)	3,574,113
Total expenses	<u>7,711,426</u>	<u>7,711,426</u>	<u>7,711,425</u>	<u>1</u>	<u>(4,137,312)</u>	<u>3,574,113</u>
Other financing sources (uses):						
Transfers in	7,711,426	7,711,426	7,711,426	-	-	7,711,426
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,112,045)</u>	<u>(4,112,045)</u>
Total other financing sources (uses)	<u>7,711,426</u>	<u>7,711,426</u>	<u>7,711,426</u>	<u>-</u>	<u>(4,112,045)</u>	<u>3,599,381</u>
Change in net position	-	-	1	-	25,267	25,268
Net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(666,204)</u>	<u>(666,204)</u>
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (640,937)</u>	<u>\$ (640,936)</u>

Metropolitan Wastewater Management Commission



partners in wastewater management

Compliance Section

Metropolitan Wastewater Management Commission



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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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(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, 2014, and have issued our report thereon dated December 19, 2014.

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).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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.

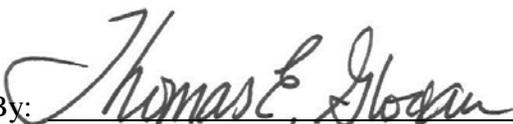
OAR 162-10-0230 - Internal Control

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: 
Thomas E. Glogau, A Shareholder
December 19, 2014