

Regional Wastewater Program Annual Financial Statement



Metropolitan Wastewater
MANAGEMENT COMMISSION



partners in wastewater management

Fiscal Year 2019-2020

**METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
OF THE EUGENE-SPRINGFIELD METROPOLITAN AREA**

ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2020 and 2019

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2020 and 2019

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Introductory Section

Metropolitan Wastewater MANAGEMENT COMMISSION



partners in wastewater management

GOVERNING BOARD

June 30, 2020

Pat Farr
Eugene, OR 97401

Lane County Board of Commissioners Representative
President

Jennifer Yeh
Eugene, OR 97401

Eugene Council Representative
Vice-President

Walt Meyer
Eugene, OR 97405

Eugene Citizen Representative

Peter Ruffier
Eugene, OR 97405

Eugene Citizen Representative

Bill Inge
Eugene, OR 97402

Lane County Citizen Representative

Joe Pishioneri
Springfield, OR 97478

Springfield Council Representative

Doug Keeler
Springfield, OR 97477

Springfield Citizen Representative

Board members can be contacted at the address below

ADMINISTRATION

225 Fifth Street
Springfield, Oregon 97477

Matt Stouder

MWMC General Manager/Executive Officer

Dave Breitenstein

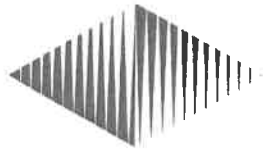
Wastewater Division Director

Nathan Bell

MWMC Finance Officer

Financial Section

Independent Auditor's Report



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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) as of June 30, 2020 and 2019, 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 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, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the years 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, the supplemental 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 29, 2020, on our consideration of MWMC'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 MWMC'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 29, 2020, 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: 
Ryan T. Pasquarella, A Shareholder
December 29, 2020

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Management's Discussion and Analysis

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, 2020. Please read it in conjunction with MWMC's basic financial statements, which begin on page 29.

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 the 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 the MWMC.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources at June 30, 2020 were \$228 million and exceeded liabilities by \$187.1 million (i.e. net position). The increase in net position of \$9.3 million was the result of a rate increase combined with a reduction of interest expense. Of the total net position, \$5.4 million is restricted for capital improvements, \$110.8 million represents net investment in capital assets, \$.2 million for debt service, and \$70.7 million is unrestricted and available for future appropriation.
- Operating revenues for the year were \$34,538,644. This is essentially unchanged from the fiscal year 2019 operating revenue of \$34,549,302. Fiscal year 2019 showed a 3% increase from 2018 with operating revenues increasing from \$33.5 million to \$34.5 million.
- Total operating and maintenance expenses for the year were \$14.7 million and the total administration expenses were \$3.9 million compared to the prior year when expenses were \$14.2 and \$3.6 million respectively, and 2018 when they were \$14.6 and \$4.1 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 the MWMC's accounting policies, significant account balances and activities, material risks, obligations, commitments, and contingencies.

The financial statements represent a consolidation of two budgetary funds: the Regional Wastewater Fund and the Regional Wastewater Capital 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 the 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

	2020	2019	2018
Current and other assets	\$ 91,306,511	\$ 88,591,275	\$ 91,892,837
Capital assets, net, where applicable, of accumulated depreciation	134,532,472	137,006,868	130,752,861
Total assets	225,838,983	225,598,143	222,645,698
Deferred outflows of resources	2,197,798	2,544,395	2,890,991
Current liabilities	5,946,528	8,082,665	8,359,544
Long-term liabilities	34,981,950	42,210,347	50,596,591
Total liabilities	40,928,478	50,293,012	58,956,135
Net position:			
Net investment in capital assets	110,829,285	104,491,746	89,130,068
Restricted for capital improvement	5,387,377	5,343,704	5,254,513
Restricted for debt service	183,192	435,603	673,246
Unrestricted	70,708,449	67,578,473	71,522,727
Total net position	\$ 187,108,303	\$ 177,849,526	\$ 166,580,554

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

Total net position for MWMC continues to show a growth trend with most of that growth in the category of net investment in capital assets. MWMC is deliberately focused on a robust capital program that will maintain plant infrastructure to withstand the wear and tear of time, to meet current and future regulatory requirements, to survive natural disasters and to incorporate modern technologies. At the same time, MWMC has taken opportunities to retire long-term debt when cash has accumulated and interest rates are favorable.

Statements of Revenues, Expenses, and Changes in Net Position

	2020	2019	2018
Operating revenues	\$ 34,538,644	\$ 34,549,302	\$ 33,542,681
Operations & maintenance	(14,683,457)	(14,221,359)	(14,628,133)
Administration	(3,908,139)	(3,621,535)	(4,111,570)
Depreciation	(9,175,822)	(8,934,423)	(8,136,965)
Operating income	6,771,226	7,771,985	6,666,013
Non-operating revenues (expenses), net (includes capital contributions)	2,487,551	3,496,987	1,902,444
Change in net position	\$ 9,258,777	\$ 11,268,972	\$ 8,568,457

Operating revenues decreased by .03% from fiscal year 2019 to 2020 and increased by 3% from fiscal year 2018 to 2019. The fiscal year 2020 decrease was primarily due to a one-time spike in intergovernmental revenue in fiscal year 2019 related to a FEMA claim.

Operations & maintenance expenses increased by approximately \$462 thousand or 3.2% compared to fiscal year 2019. The MWMC experienced small increases and decreases throughout the budget but the most significant differences between fiscal 2019 and 2020 are the following two items: In 2020, City of Eugene posted an increase to Net Pension expense of about \$499 thousand, and City of Springfield fiscal year 2018-19 personal services were reduced by approximately \$220 thousand because those costs were capitalized, meaning the costs were added to the capital costs of the projects underway in that year.

Net non-operating revenues/(expenses) decreased from \$3.5 million in fiscal year ending June 30, 2019 to \$2.5 million for the year ending June 30, 2020. This was mainly due to a nearly \$700 thousand decrease in SDC revenue indicating a slowing rate of development in the region.

Capital Assets

MWMC's investment in capital assets as of June 30, 2020 was \$134.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, and other assets. The net decrease in the MWMC's investment in capital assets for the current fiscal year was just under 2%. MWMC added \$6.2 million of assets this year as part of the continuing capital improvement plan in place for the facilities upgrades, and this was offset by \$9.2 million in annual depreciation.

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

- Work continued on the WPCF Lagoon Removal/Decommissioning with expenses of \$3.4 million.
- Work was substantially completed on the Operations & Maintenance Building Improvements with expenses of \$208 thousand.
- Work continued on the Renewable Natural Gas Upgrade project, with expenses of \$4.4 million.
- The Resiliency Plan project was completed with expenses of \$139 thousand.

MWMC's Capital Assets
(net of depreciation)

	June 30,		
	2020	2019	2018
Land	\$ 8,339,727	\$ 8,619,727	\$ 8,619,727
Construction in progress	9,400,632	14,315,469	24,168,104
Buildings	70,495,403	64,749,060	48,761,550
Machinery and equipment	44,112,991	47,617,010	47,319,038
Other assets	2,183,719	1,705,602	1,884,442
Total	<u>\$ 134,532,472</u>	<u>\$ 137,006,868</u>	<u>\$ 130,752,861</u>

Debt Administration

At the end of the current fiscal year, the MWMC had total bonded debt outstanding (net of unamortized premium) of \$24.8 million, all of which is secured solely by sewer revenues. 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. In November 2018, two of the five SRF loans were retired, and a third was retired in October 2019, leaving a balance of \$1.1 million as of June 30, 2020.

Additional information on the MWMC's capital assets and related debt can be found in Note F and Note H, beginning on page 37 of this report.

Economic Factors and Next Year's Budget and Rates

For the year ended June 30, 2020, MWMC approved a 2% rate increase that was effective July 1, 2019 (a 2.5% increase was effective July 1, 2018). The new rate resulted in an average residential billing of \$27.02 per month based on typical residential consumption of 5,000 gallons per month. The budget included an annual capital contribution of \$15 million in order to fund implementation of the ongoing Capital Improvement Plan. Additionally, as moved by the board at their September 2019 meeting, MWMC retired one of the remaining state revolving fund loans, which is projected to result in net interest savings, estimated at anywhere between \$28K and \$585K, depending on market interest rates, over the original life of the loan.

In recognition of potential economic hardship in the community due to the Covid19 virus, the fiscal year 2020-21 budget reflects no rate increase over the 2020 rates. The rates fund operations, administrative services, debt service and capital contributions, and also satisfy bond coverage requirements.

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

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Metropolitan Wastewater Management Commission
Comparative Statements of Net Position

	June 30,	
	2020	2019
ASSETS		
Cash and investments		
Unrestricted	\$ 75,457,187	\$ 72,524,076
Restricted	8,944,278	9,167,083
Accounts receivable	203,251	77,407
Intergovernmental receivable, net	5,043,910	5,095,851
Inventory	590,635	589,099
Accrued interest	190,759	266,361
Prepaid expenses	50,200	59,174
Deposits	700,000	700,000
Notes receivable (System Development Charges)	126,291	112,224
Capital assets:		
Land and construction in progress	17,740,359	22,935,196
Other capital assets, net of accumulated depreciation	116,792,113	114,071,672
Total assets	<u>225,838,983</u>	<u>225,598,143</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge for debt refunding	<u>2,197,798</u>	<u>2,544,395</u>
LIABILITIES		
Current liabilities:		
Accounts and contracts payable	2,387,972	4,067,848
Other accrued liabilities	41,285	43,120
Interest payable	167,068	225,977
Current portion of notes payable	245,749	774,174
Current portion of revenue bonds payable	3,090,000	2,955,000
Unearned revenues	14,454	16,546
Total current liabilities	<u>5,946,528</u>	<u>8,082,665</u>
Long-term liabilities:		
Due to other governments	12,416,714	10,880,004
Notes payable	900,010	6,075,168
Revenue bonds payable (net of unamortized premium, and current portion)	21,665,226	25,255,175
Total long-term liabilities	<u>34,981,950</u>	<u>42,210,347</u>
Total liabilities	<u>40,928,478</u>	<u>50,293,012</u>
NET POSITION		
Net investment in capital assets	110,829,285	104,491,746
Restricted for capital improvement	5,387,377	5,343,704
Restricted for debt service	183,192	435,603
Unrestricted	70,708,449	65,578,473
Total net position	<u>\$ 187,108,303</u>	<u>\$ 177,849,526</u>

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,	
	2020	2019
Operating revenues:		
Sewer user fees	\$ 34,490,604	\$ 34,422,276
Other operating receipts	48,040	127,026
Total operating revenues	<u>34,538,644</u>	<u>34,549,302</u>
Operating expenses:		
Operations and maintenance	14,683,457	14,221,359
Administration	3,908,139	3,621,535
Depreciation	9,175,822	8,934,423
Total operating expenses	<u>27,767,418</u>	<u>26,777,317</u>
Operating income	<u>6,771,226</u>	<u>7,771,985</u>
Non-operating revenues (expenses):		
Interest income	1,763,924	2,160,534
Interest expense	(918,211)	(1,255,701)
Lease income	50,507	59,810
Gain (loss) on disposal of capital assets	(380,154)	(9,269)
Miscellaneous revenue	157,075	40,421
Total non-operating revenues (expenses)	<u>673,141</u>	<u>995,795</u>
Income before contributions	7,444,367	8,767,780
Capital contributions	<u>1,814,410</u>	<u>2,501,192</u>
Change in net position	9,258,777	11,268,972
Net position, beginning of year	<u>177,849,526</u>	<u>166,580,554</u>
Net position, end of year	<u><u>\$ 187,108,303</u></u>	<u><u>\$ 177,849,526</u></u>

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission
Comparative Statements of Cash Flows

	For the years ended June 30,	
	2020	2019
Cash flows from operating activities:		
Cash received from customers	\$ 34,416,701	\$ 34,261,188
Cash paid to other governments	(10,782,796)	(10,260,454)
Cash paid to suppliers for goods and services	(7,946,363)	(6,823,599)
Other operating receipts	45,948	129,515
Net cash provided by operating activities	15,733,490	17,306,650
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(7,081,578)	(15,171,279)
Proceeds from sale of capital assets	157,073	14,001
Proceeds of capital contributions	1,814,410	2,501,192
Principal paid on notes payable	(5,703,583)	(6,119,317)
Principal paid on revenue bonds payable	(3,108,352)	(2,988,354)
Interest payments	(977,120)	(1,289,311)
Net cash used in capital and related financing activities	(14,899,150)	(23,053,068)
Cash flows from investing activities:		
Interest received	1,839,526	2,050,633
Notes receivable issued	(146,826)	(112,786)
Cash received on notes receivable	132,759	180,045
Lease income	50,507	59,810
Net cash provided by investing activities	1,875,966	2,177,702
Net increase (decrease) in cash and investments	2,710,306	(3,568,716)
Cash and investments, beginning of year	81,691,159	85,259,875
Cash and investments, end of year	\$ 84,401,465	\$ 81,691,159
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,771,226	\$ 7,771,985
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,175,822	8,934,423
Changes in assets and liabilities:		
Intergovernment receivable	51,941	(269,953)
Other accounts receivable	(125,844)	108,865
Prepaid expenses	8,974	1,459
Accounts and contracts payable	(1,679,876)	(39,723)
Due to other governments	1,534,875	861,988
Inventory	(1,536)	(64,883)
Unearned revenue	(2,092)	2,489
Net cash provided by operating activities	\$ 15,733,490	\$ 17,306,650

The accompanying notes are an integral part of these statements.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Wastewater Management Commission (MWMC) 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 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 two 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 enterprise 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 MWMC is determined by its measurement focus. The transactions of MWMC are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities and deferred inflows associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows of resources less total liabilities plus deferred inflows of resources) is segregated into four 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, 2020

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. The amount reported as cash and investments is the MWMC share of the total City of Springfield cash and investment pool. As of June 30, 2020, 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.

Fair Value Measurements

Investments are stated at fair value.

Fair value is defined as the price that would be received at the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes fair value measurements within the hierarchy established by GASB Statement 72. This hierarchy defines three levels of inputs used to assess fair value which allows financial statement users to identify the level of reliability and determine variance risk between actual amounts received during a sale of assets or transfer of liabilities to that which is reported in the financial statements for the measurement date.

For purpose of the statement of cash flows, cash and investments in the City-wide investment pool (including restricted cash, investments and LGIP) 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.

Intergovernmental Receivable

The municipal water utilities for the Cities of Eugene and Springfield bill and collect sewer user fees. The collected amounts are due to the MWMC. Accordingly, MWMC records the amounts due from the local water utilities as its intergovernmental receivable, which is reported net of allowance for uncollectible receivables. Both utilities have historically collected over 99% of accounts receivable, therefore only a small allowance for uncollectible amounts is recorded. For the year ended June 30, 2020, the allowance for uncollectible receivables is \$19,172. For the year ended June 30, 2019, the allowance for uncollectible receivables was \$19,996.

Restricted Assets

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

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

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 – 50 years
Machinery and equipment	1 – 50 years

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 are expensed in full in the year incurred and deferred amounts on refunding are amortized over the life of the new debt. 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.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020 for operation and maintenance costs incurred by the City of Eugene is \$1,666,345 (\$1,925,496 for 2019). The total costs charged to MWMC for the year ended June 30, 2020 were \$14,683,457 (\$14,221,359 for 2019). 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, 2020 and 2019 were \$3,908,139 and \$3,621,535 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, 2020 was \$862,834 (\$819,249 for 2019).

MWMC has no employees of its own. All personnel costs reflected are related to the employees of the cities of Eugene and Springfield contracted to do the work of MWMC. In addition to the post-employment benefit liability referenced above, MWMC has recorded an interagency payable to the respective cities for the compensated absences of \$762,777 (\$722,690 for 2019), and the net pension liability of \$10,791,103 (\$9,338,064 for 2019) computed for those employees. The total interagency payable due to the cities of Eugene and Springfield is \$12,416,714 (\$10,880,004 for 2019).

NOTE C – COMMITMENTS AND CONTINGENCIES

At June 30, 2020, MWMC was obligated by contracts for uncompleted construction projects for \$12,577,158. At June 30, 2019, the obligation on contracts for capital improvement projects was \$8,289,884.

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 adoption by resolution.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE D – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

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, 2020, MWMC adopted several transfer resolutions and supplemental budgets increasing expenses by \$15,603,816. This total includes \$4,841,282 to retire debt as well as an increase to interfund transfers of \$4,588,871 to move the funds for the debt retirement. Other than these amounts, capital project costs were increased by \$4,997,031 and increases to operating expenses for the fiscal year totaled \$1,176,632 and were funded by a combination of reserve reductions and adjustments to beginning cash - carrying forward budget planned, but not spent at the end of fiscal year 2018-19.

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:

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.

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.

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.

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:

	2020	2019
State Revolving Fund loan reserves	\$ 183,192	\$ 435,603
System development charge reserves	5,261,086	5,231,480
Investments for bond principal and interest	2,000,000	2,000,000
Insurance reserve	1,500,000	1,500,000
	<hr/>	<hr/>
Total restricted cash and investments	<u>\$ 8,944,278</u>	<u>\$ 9,167,083</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE F– CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 8,619,727	\$ -	\$ (280,000)	\$ 8,339,727
Construction in progress	14,315,469	6,436,527	(11,351,364)	9,400,632
Total capital assets, not being depreciated	<u>22,935,196</u>	<u>6,436,527</u>	<u>(11,631,364)</u>	<u>17,740,359</u>
Capital assets, being depreciated:				
Buildings	142,774,319	85,145	10,895,064	153,754,528
Machinery and equipment	128,377,634	559,906	(880,785)	128,056,755
Other	<u>4,816,754</u>	<u>-</u>	<u>736,300</u>	<u>5,553,054</u>
Total capital assets, being depreciated	<u>275,968,707</u>	<u>645,051</u>	<u>10,750,579</u>	<u>287,364,337</u>
Less accumulated depreciation for:				
Buildings	(78,025,259)	(5,233,866)	-	(83,259,125)
Machinery and equipment	(80,760,624)	(3,683,771)	500,631	(83,943,764)
Other	<u>(3,111,152)</u>	<u>(258,183)</u>	<u>-</u>	<u>(3,369,335)</u>
Total depreciation	<u>(161,897,035)</u>	<u>(9,175,820)</u>	<u>500,631</u>	<u>(170,572,224)</u>
Total capital assets, being depreciated, net	<u>114,071,672</u>	<u>(8,530,769)</u>	<u>11,251,210</u>	<u>116,792,113</u>
Capital assets, net	<u>\$ 137,006,868</u>	<u>\$ (2,094,242)</u>	<u>\$ (380,153)</u>	<u>\$134,532,472</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE F– CAPITAL ASSETS - continued

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 8,619,727	\$ -	\$ -	\$ 8,619,727
Construction in progress	24,168,104	9,566,328	(19,418,963)	14,315,469
Total capital assets, not being depreciated	<u>32,787,831</u>	<u>9,566,328</u>	<u>(19,418,963)</u>	<u>22,935,196</u>
Capital assets, being depreciated:				
Buildings	121,822,534	1,572,944	19,378,841	142,774,319
Machinery and equipment	125,195,675	4,048,704	(866,745)	128,377,634
Other	4,792,451	24,303	-	4,816,754
Total capital assets, being depreciated	<u>251,810,660</u>	<u>5,645,951</u>	<u>18,512,096</u>	<u>275,968,707</u>
Less accumulated depreciation for:				
Buildings	(73,060,984)	(4,964,275)	-	(78,025,259)
Machinery and equipment	(77,876,637)	(3,767,005)	883,018	(80,760,624)
Other	(2,908,009)	(203,143)	-	(3,111,152)
Total depreciation	<u>(153,845,630)</u>	<u>(8,934,423)</u>	<u>883,018</u>	<u>(161,897,035)</u>
Total capital assets, being depreciated, net	<u>97,965,030</u>	<u>(3,288,472)</u>	<u>19,395,114</u>	<u>114,071,672</u>
Capital assets, net	<u>\$ 130,752,861</u>	<u>\$ 6,277,856</u>	<u>\$ (23,849)</u>	<u>\$137,006,868</u>

NOTE G – REBATABLE ARBITRAGE

On May 3, 2016 MWMC issued \$32,725,000 in revenue bonds. Interest earnings on unspent bond proceeds can 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, 2020.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE H – LONG TERM DEBT

Revenue Bonds

MWMC issued \$32,725,000 in revenue bonds as a result of a bond refunding in fiscal year 2015-16. The bond premium of \$5,249,467 is being amortized over the life of the bonds. Additionally, a deferred charge for debt refunding of \$3,639,258 is being amortized over the life of the 2016 bonds with \$2,197,798 unamortized as of June 30, 2020. There are no longer specific reserves required by the bond covenants.

Revenue obligation bonds payable transactions for the year ended June 30, 2020 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2019	Issued During Year	Matured During Year	Outstanding June 30, 2020	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2016	5/3/2016	2027	1.461%	\$ 24,540,000	\$ -	\$ 2,955,000	\$ 21,585,000	\$ 3,090,000
						Unamortized premium Due in current year	3,170,226 (3,090,000)	
						Total revenue bonds payable	<u>\$ 21,665,226</u>	

Revenue obligation bonds payable transactions for the year ended June 30, 2019 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2018	Issued During Year	Matured During Year	Outstanding June 30, 2019	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2016	5/3/2016	2027	1.461%	\$ 27,375,000	\$ -	\$ 2,835,000	\$ 24,540,000	\$ 2,955,000
						Unamortized premium Due in current year	3,670,175 (2,955,000)	
						Total revenue bonds payable	<u>\$ 25,255,175</u>	

Maturities of bond principal and interest are as follows:

Fiscal Year	Principal	Interest
2021	\$ 3,090,000	\$ 919,500
2022	3,245,000	761,125
2023	3,410,000	594,750
2024	3,590,000	419,750
2025	3,750,000	255,000
2026-2027	<u>4,500,000</u>	<u>114,000</u>
Total	<u>\$ 21,585,000</u>	<u>\$ 3,064,125</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE H – LONG TERM DEBT - Continued

Notes Payable

Between 2009 and 2011 the MWMC entered into several notes payable with the Oregon Department of Environmental Quality (DEQ). These Notes were direct placements. As of June 30, 2020, two of these notes remain and both contain restrictive provisions related to activities during the construction period; however for both the construction period was completed prior to the fiscal year ended June 30, 2020. These notes are "Revenue Secured Loans" and the DEQ was granted a security interest in the MWMC's net revenues. Other provisions are identical for the notes and include: notes are subordinate to revenue bonds in existence at the time the note was taken and possibly to future revenue bonds subject to the Master Declaration, there are no prepayment penalties, the notes are subject to a late payment fee of 5% of the late payment, the MWMC must maintain a loan reserve set by the DEQ, and the MWMC must meet and report annually on Debt Service Coverage ratio of 105% of that fiscal year's debt service payments. If there is an event of default which remains uncured, the DEQ may declare the outstanding loan amount plus unpaid accrued interest and fees to be due immediately. The DEQ may also: appoint a receiver at the MWMC's expense, set and collect utility rates, direct the State Treasurer of the State of Oregon to withhold any amounts otherwise due to the MWMC. To date, the MWMC has complied with all of the note provisions and there have been no events of default.

At June 30, 2020, notes payable are as follows:

Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, zero interest, due 2030.	\$ 1,000,000
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 1.25%, due 2030.	<u>145,759</u>
Total	<u><u>\$ 1,145,759</u></u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE H – LONG TERM DEBT - Continued

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 6,849,342	\$ -	\$ (5,703,583)	\$ 1,145,759	\$ 245,759

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 12,968,659	\$ -	\$ (6,119,317)	\$ 6,849,342	\$ 774,174

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

Fiscal Year	Principal	Interest
2021	\$ 245,759	\$ 5,661
2022	100,000	4,250
2023	100,000	3,750
2024	100,000	3,250
2025	100,000	2,750
2026-2030	500,000	6,250
Total	\$ 1,145,759	\$ 25,911

MWMC maintained a loan reserve of \$183,192 as of June 30, 2020 in accordance with the loan agreements with the Oregon Department of Environmental Quality.

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Supplemental Information

Metropolitan Wastewater Management Commission
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2020

	Regional Wastewater Fund	Regional Wastewater Capital Fund	Eliminations	Total
Revenues:				
Charges for services	\$ 34,928,220	\$ 30	\$ (387,139)	\$ 34,541,111
Investment earnings	268,254	1,495,670	-	1,763,924
Intergovernmental revenue	33,952	849	-	34,801
Licenses and permits	12,639	-	-	12,639
Fines and forfeitures	600	-	-	600
Miscellaneous revenue	152,944	4,131	-	157,075
Total revenues	35,396,609	1,500,680	(387,139)	36,510,150
Expenses:				
Current operating:				
Finance	151,967	-	-	151,967
Development and public works	18,824,897	1,871	(387,139)	18,439,629
Debt service:				
Interest and premium amortization	1,071,564	(153,353)	-	918,211
Depreciation	9,175,822	-	-	9,175,822
Total expenses	29,224,250	(151,482)	(387,139)	28,685,629
Excess of revenues over (under) expenses	6,172,359	1,652,162	-	7,824,521
Other financing sources (uses):				
Transfers in	6,612,780	25,658,583	(32,271,363)	-
Transfers out	(25,658,583)	(6,612,780)	32,271,363	-
Capital contributions	7,617	1,806,793	-	1,814,410
Loss on disposal of capital assets	(380,154)	-	-	(380,154)
Total other financing sources (uses)	(19,418,340)	20,852,596	-	1,434,256
Change in net position	(13,245,981)	22,504,758	-	9,258,777
Net position, beginning of year	142,442,422	35,407,104	-	177,849,526
Net position, end of year	<u>\$ 129,196,441</u>	<u>\$ 57,911,862</u>	<u>\$ -</u>	<u>\$ 187,108,303</u>

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, 2020

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 35,252,000	\$ 35,252,000	\$ 35,075,121	\$ (176,879)	\$ (146,901)	\$ 34,928,220
Investment earnings	180,000	180,000	274,084	94,084	(5,830)	268,254
Intergovernmental revenue	-	-	22,193	22,193	11,759	33,952
Licenses and permits	9,510	9,510	12,639	3,129	-	12,639
Fines and forfeitures	700	700	600	(100)	-	600
Miscellaneous revenue	700,000	700,000	1,891	(698,109)	151,053	152,944
Total revenues	36,142,210	36,142,210	35,386,528	(755,682)	10,081	35,396,609
Expenses:						
Current operating:						
Finance	163,084	163,084	151,967	11,117	-	151,967
Development and public works	18,500,825	18,684,457	17,196,814	1,487,643	1,628,083	18,824,897
Debt service:						
Principal	3,729,180	8,658,587	8,658,583	4	(8,658,583)	-
Interest	1,218,603	1,130,478	1,130,472	6	(58,908)	1,071,564
Depreciation	-	-	-	-	9,175,822	9,175,822
Total expenses	23,611,692	28,636,606	27,137,836	1,498,770	2,086,414	29,224,250
Excess of revenues over (under) expenses	12,530,518	7,505,604	8,248,692	743,088	(2,076,333)	6,172,359
Other financing sources (uses):						
Transfers in	2,023,909	6,612,780	6,612,780	-	-	6,612,780
Transfers out	(17,000,000)	(17,000,000)	(17,000,000)	-	(8,658,583)	(25,658,583)
Capital contributions	-	-	-	-	7,617	7,617
Gain (loss) on disposal of assets	-	-	-	-	(380,154)	(380,154)
Total other financing sources (uses)	(14,976,091)	(10,387,220)	(10,387,220)	-	(9,031,120)	(19,418,340)
Change in net position	(2,445,573)	(2,881,616)	(2,138,528)	743,088	(11,107,453)	(13,245,981)
Net position, beginning of year	12,432,240	13,142,358	13,142,358	-	129,300,064	142,442,422
Net position, end of year	\$ 9,986,667	\$ 10,260,742	\$ 11,003,830	\$ 743,088	\$ 118,192,611	\$ 129,196,441

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, 2020

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ -	\$ -	\$ 30	\$ 30	\$ -	\$ 30
Investment earnings	1,195,000	1,195,000	1,570,557	375,557	(74,887)	1,495,670
Intergovernmental revenue	10	10	849	839	-	849
Miscellaneous revenue	5,000	5,000	3,605	(1,395)	526	4,131
Total revenues	1,200,010	1,200,010	1,575,041	375,031	(74,361)	1,500,680
Expenses:						
Current operating:						
Development and public works	1,145,000	2,138,000	564,056	1,573,944	(562,185)	1,871
Capital projects	17,359,000	22,356,031	6,802,445	15,553,586	(6,802,445)	-
Debt service:						
Interest	-	-	-	-	(153,353)	(153,353)
Total expenses	18,504,000	24,494,031	7,366,501	17,127,530	(7,517,983)	(151,482)
Excess of revenues over (under) expenses	(17,303,990)	(23,294,021)	(5,791,460)	17,502,561	7,443,622	1,652,162
Other financing sources (uses):						
Transfers in	17,000,000	17,000,000	17,000,000	-	8,658,583	25,658,583
Transfers out	(2,023,909)	(6,612,780)	(6,612,780)	-	-	(6,612,780)
Capital contributions	1,740,000	1,740,000	1,757,083	17,083	49,710	1,806,793
Total other financing sources (uses)	16,716,091	12,127,220	12,144,303	17,083	8,708,293	20,852,596
Change in net position	(587,899)	(11,166,801)	6,352,843	17,519,644	16,151,915	22,504,758
Net position, beginning of year	58,912,040	67,774,280	67,774,280	-	(32,367,176)	35,407,104
Net position, end of year	<u>\$ 58,324,141</u>	<u>\$ 56,607,479</u>	<u>\$ 74,127,123</u>	<u>\$ 17,519,644</u>	<u>\$(16,215,261)</u>	<u>\$ 57,911,862</u>

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Compliance Section



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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 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 Metropolitan Wastewater Management Commission (MWMC) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 29, 2020.

Compliance and Other 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 29, 2020



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, 2020, and the related notes to the financial statements, which collectively comprise MWMC's basic financial statements, and have issued our report thereon dated December 29, 2020.

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) as a basis for designing 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. 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.

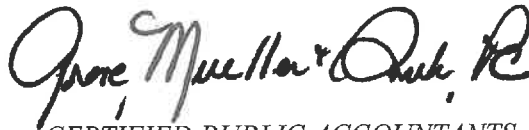
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink, appearing to read "J. Mueller & Co., P.C.", is written over the printed text of the firm's name.

CERTIFIED PUBLIC ACCOUNTANTS

December 29, 2020