

REGIONAL WASTEWATER PROGRAM ANNUAL FINANCIAL REPORT



Metropolitan Wastewater Management Commission



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**Fiscal Year Ended
June 30, 2016**

Metropolitan Wastewater Management Commission



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

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

Metropolitan Wastewater Management Commission



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METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

ANNUAL FINANCIAL REPORT

For the year ended June 30, 2016

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Introductory Section

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Metropolitan Wastewater Management Commission
Of the Eugene-Springfield Metropolitan Area

June 30, 2016

GOVERNING BOARD

Joe Pishioneri 961 S 70th Street Springfield, OR 97478	Springfield Council Representative President
Bill Inge 1831 W. Broadway Eugene, OR 97402	Lane County Citizen Representative Vice-President
George Brown 1740 Graham Drive Eugene, OR 97405	Eugene Council Representative
Faye Stewart 125 E. 8 th Ave. Eugene, OR 97401	Lane County Lane County Commissioner
Doug Keeler 3905 Hayden Bridge Rd. Springfield, OR 97477	Springfield Citizen Representative
Walt Meyer 3987 Brae Burn Dr. Eugene, OR 97405	Eugene Citizen Representative
Hilary Loud 1800 Lakewood Court, #102 Eugene, OR 97402	Eugene Citizen Representative

ADMINISTRATION

225 Fifth Street
Springfield, Oregon 97477

Anette Spickard	MWMC Executive Officer
Matt Stouder	MWMC General Manager
Michelle Cahill	Eugene Wastewater Division Director
Robert J. Duey	MWMC Finance Officer

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Financial Section

Metropolitan Wastewater Management Commission



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Independent Auditor's Report

Metropolitan Wastewater Management Commission



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GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of Metropolitan Wastewater Management Commission (MWMC) as of June 30, 2016, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise MWMC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2016, 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, 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 28, 2016, 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 28, 2016, 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 28, 2016

Metropolitan Wastewater Management Commission



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Management's Discussion and Analysis

Metropolitan Wastewater Management Commission



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Metropolitan Wastewater Management Commission (MWMC), we offer readers of MWMC's financial statements this narrative overview and analysis of the financial activities of MWMC for the fiscal year ended June 30, 2016. Please read it in conjunction with MWMC's basic financial statements, which begin on page 10.

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 and deferred outflows of resources at June 30, 2016 were \$209.8 million and exceeded liabilities by \$147.4 million (i.e. net position). The increase in net position of \$4.9 million was the result of a combination of a rate increase and a reduction of total debt. Of the total net position, \$4.8 million is restricted for capital improvements, \$79.7 million represents net investment in capital assets, \$.6 million for debt service, and \$62.3 million is unrestricted and available for future appropriation.
- Operating revenues for the year were \$31.2 million. This is an increase of 3.5% from fiscal year 2015 operating revenue of \$30.2 million
- Total operating and maintenance expenses for the year were \$14.9 million and the total administration expenses were \$3.6 million compared to the prior year when expenses were \$10 and \$2.8 million respectively.

OVERVIEW OF ANNUAL FINANCIAL REPORT

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

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

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

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

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

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

Financial Analysis

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

CONDENSED FINANCIAL STATEMENTS
Statements of Net Position

	June 30,	
	2016	2015
Current and other assets	\$ 83,217,275	\$ 113,788,853
Capital assets, net, where applicable, of accumulated depreciation	122,974,232	124,848,136
Total assets	206,191,507	238,636,989
Deferred outflows of resources	3,584,183	-
Current liabilities	5,866,035	8,000,720
Long-term liabilities	56,489,753	90,310,045
Total liabilities	62,355,788	98,310,765
Net position:		
Net investment in capital assets	79,714,451	49,901,799
Restricted for capital improvement	4,798,029	4,257,063
Restricted for debt service	641,728	8,770,908
Unrestricted	62,265,694	77,396,454
Total net position	\$ 147,419,902	\$ 140,326,224

The largest portion of 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.

Statements of Revenues, Expenses, and Changes in Net Position

	June 30,	
	2016	2015
Operating revenues	\$ 31,222,377	\$ 30,166,903
Operations & maintenance	(14,933,988)	(9,978,175)
Administration	(3,630,803)	(2,752,283)
Depreciation	(8,264,304)	(7,760,533)
Operating income	4,393,282	9,675,912
Non-operating revenues (expenses), net (includes capital contributions)	526,032	(1,143,049)
Change in net position	\$ 4,919,314	\$ 8,532,863

Operating revenues increased by 3.5% from fiscal year 2015 to 2016. This increase was primarily due to the increase in user fees and a significant increase in septic hauler revenues.

Operating expenses for the year ended June 30, 2016 increased by 31% from the previous year. The increase can be attributed largely to the Cities of Springfield and Eugene (from whom MWMC contracts its employees) implementing a new accounting and reporting standard for pensions in 2015 that resulted in a prior period adjustment and increased pension costs going forward. To further complicate matters, the State's Legislature passed pension reforms in a prior year that resulted in the Cities PERS net pension liability becoming a net pension asset in 2015. The reduction of pension expenses that resulted from this legislation was allocated across all business-type activities and resulted in significant decreases in expenses last year compared to previous years. That was a temporary decrease as the PERS legislation was subsequently challenged in the courts and overturned and now we are seeing a large adjustment reversing that decrease in the current year. The impact of the legislation was a \$2.2 million decrease in expenses in 2015 and a \$3 million increase in personnel expenses in the current year. If we were to remove the impact of these adjustments, operating expenses increased by 4.8% overall. The increase was mostly related to personnel costs for operations and administration, with materials and services staying relatively flat. Depreciation increased by 6.4% as capital projects continue to be completed and added in this fiscal year. Non-operating expenses (interest and bond costs) decreased by 6% from fiscal year 2015 primarily due to the interest expense decreasing as debt is being reduced. Non-operating income tripled as a result of higher interest income and miscellaneous revenue, but mostly because of a \$0.9 million gain on refunding the revenue bonds.

Capital Assets

MWMC's investment in capital assets as of June 30, 2016 was \$123 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 3.4%. MWMC has added assets this year as part of the continuing capital improvement plan in place for the facilities upgrades, but the increase in assets was not as high as the annual depreciation.

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

- Influent Pump Station/Wilakenzie PS/Headworks completed construction this year adding an additional \$.2 million to the project.
- Work continued on Digestion Capacity Increase, with expenses of \$1.6 million in the current year.
- Operations & Maintenance Building Improvements work continued, spending \$0.9 million in the current year.
- \$92,000 was spent on the lagoon removal and decommissioning in FY16.
- Planning and design work continued for the Thermal Load project spending \$151,000 in the current year.

MWMC's Capital Assets
(net of depreciation)

	June 30,	
	2016	2015
Land	\$ 7,731,550	\$ 7,731,550
Construction in progress	4,061,186	6,441,935
Buildings	57,403,901	61,401,771
Machinery and equipment	51,584,667	49,289,088
Other assets	2,192,928	2,462,748
 Total	 \$ 122,974,232	 \$ 127,327,092

Debt Administration:

At the end of the current fiscal year, the MWMC had total bonded debt outstanding (net of premium and discounts) of \$37.9 million, all of which is secured solely by sewer revenue sources. The 2006 and 2008 revenue bonds reported in prior years were refunded and replaced in the current year resulting in the 2016 revenue bond with the balance referenced above. Notes payable were comprised entirely of State Revolving Fund Loans (SRF) which were obtained as additional funding to implement the Facilities Plan at more advantageous interest rates than would result from issuing another revenue bond.

Additional information on the MWMC's capital assets and related debt can be found in Note F and Note H, beginning on page 18 of this report.

Economic Factors and Next Year's Budget and Rates:

For the year ended June 30, 2016, MWMC approved a 2% rate increase that was effective July 1, 2015 (a 3.5% increase was effective July 1, 2014). The new rate resulted in an average residential billing of \$24.6 per month based on typical residential consumption of 5,000 gallons. The budget included an annual capital contribution of \$8.5 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 20 years and is currently estimated to cost around \$242 million. 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. In May of 2016, the 2006 revenue bond was paid in full and the 2008 revenue bond was refunded and replaced with the 2016 revenue bond (\$32.7 million) at a lower interest rate.

The FY 2016-17 budget reflects an 2% rate increase over the 2016 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 \$11.3 million in order to fund the Facilities Plan.

Requests for Information

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

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

Basic Financial Statements

Metropolitan Wastewater Management Commission



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Metropolitan Wastewater Management Commission
Statement of Net Position
June 30, 2016

ASSETS

Cash and cash equivalents	
Unrestricted	\$ 60,945,958
Restricted	17,650,430
Accounts receivable	61,471
Intergovernmental receivable, net	3,096,205
Accrued interest	182,281
Deposits	700,000
Notes receivable (System Development Charges)	580,930
Capital assets:	
Land and work in progress	11,792,736
Other capital assets, net of accumulated depreciation	111,181,496
	206,191,507

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge for debt refunding	3,584,183
	3,584,183

LIABILITIES

Current liabilities:

Accounts and contracts payable	1,803,215
Other accrued liabilities	71,983
Interest payable	304,211
Current portion of notes payable	1,048,619
Current portion of revenue bonds payable	2,625,000
Unearned revenues	13,007
	5,866,035

Long-term liabilities:

Due to other governments	7,173,145
Notes payable	14,046,585
Revenue bonds payable (net of unamortized premium, and current portion)	35,270,023
	56,489,753
Total long-term liabilities	56,489,753
Total liabilities	62,355,788

NET POSITION

Net investment in capital assets	79,714,451
Restricted for capital improvement	4,798,029
Restricted for debt service	641,728
Unrestricted	62,265,694
	62,265,694
Total net position	\$ 147,419,902

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

Operating revenues:	
Sewer user fees	\$ 31,208,778
Other operating receipts	13,599
	<u>31,222,377</u>
Total operating revenues	<u>31,222,377</u>
Operating expenses:	
Operations and maintenance	14,933,988
Administration	3,630,803
Depreciation	8,264,304
	<u>26,829,095</u>
Total operating expenses	<u>26,829,095</u>
Operating income	<u>4,393,282</u>
Non-operating revenues (expenses):	
Interest income	651,251
Interest expense	(3,358,331)
Bond costs	(176,776)
Lease income	50,537
Gain (loss) on disposal of assets	14,673
Gain on bond refunding	915,528
Miscellaneous revenue	98,753
	<u>(1,804,365)</u>
Total non-operating revenues (expenses)	<u>(1,804,365)</u>
Income before contributions	2,588,917
Capital contributions	<u>2,330,397</u>
Change in net position	<u>4,919,314</u>
Net position, beginning of year	140,326,224
Prior period adjustment - Note I	<u>2,174,364</u>
Net position, beginning of year, as restated	<u>142,500,588</u>
Net position, end of year	<u><u>\$147,419,902</u></u>

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission

Statement of Cash Flows

For the Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from customers	\$ 31,407,218
Cash paid to other governments	(7,013,215)
Cash paid to suppliers for goods and services	(8,847,033)
Other operating receipts	<u>15,766</u>
Net cash provided by operating activities	<u>15,562,736</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,152,651)
Proceeds from sale of capital assets	50,041
Proceeds of capital contributions	2,330,397
Proceeds from issuance of notes payable	69,510
Principal paid on notes payable	(754,276)
Principal paid on revenue bonds payable	(40,232,160)
Costs of bond refunding	(176,776)
Interest payments	<u>(3,752,640)</u>
Net cash used in capital and related financing activities	<u>(46,618,555)</u>
Cash flows from investing activities:	
Interest received	754,704
Notes receivable issued	(310,137)
Cash received on notes receivable	338,351
Lease income	<u>50,537</u>
Net cash provided by investing activities	<u>833,455</u>
Net decrease in cash and investments	(30,222,364)
Cash and investments, beginning of year	<u>108,818,752</u>
Cash and investments, end of year	<u>\$ 78,596,388</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 4,393,282
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	8,264,304
Changes in assets and liabilities:	
Intergovernment receivable	198,440
Prepaid expenses	19,107
Accounts and contracts payable	(400,957)
Due to other governments	3,086,393
Unearned revenue	<u>2,167</u>
Net cash provided by operating activities	<u>\$ 15,562,736</u>

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission



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METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 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 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 and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets less total liabilities) is segregated into 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, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Investments

MWMC participates in a cash and investment pool maintained by the City of Springfield as well as a separate MWMC LGIP account. The amount reported as cash and investments is the MWMC share of the total City of Springfield cash and investment pool in addition to the separate MWMC LGIP account. As of June 30, 2016, 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.

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 only a small allowance for uncollectible amounts is recorded.

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 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.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

Accumulated Unpaid Vacation, Sick Pay and Other Benefit Amounts

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

Long-term Debt

Long-term debt is reported as a liability in the Statement of Net Position. Bond issuance costs 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.

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, 2016 for operation and maintenance costs incurred by the City of Eugene is \$1,246,932. The total costs charged to MWMC for the year ended June 30, 2016 were \$14,933,988.

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 year ended June 30, 2016 were \$3,630,803, and include employee benefits for City of Springfield employees.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B – INTERGOVERNMENTAL AGREEMENTS – Continued

These costs include a pro-rata share of other post-employment benefits, specifically medical, dental and vision coverage for eligible retirees, their spouses, domestic partners, and dependents on a self-pay basis. Due to the effect of age, retiree claim costs are generally higher than claim costs for all members as a whole. The difference between retiree claim costs and the amount of retiree healthcare premiums represents implicit employer contribution. In addition, life insurance benefits are provided to fully disabled employees. The actuarial computed liability for the plan at June 30, 2016 was \$150,997.

MWMC has no employees of their own. All personnel costs reflected are related to the employees of the cities of Eugene and Springfield contracted to do the work of 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 \$636,344, and the net pension liability of \$6,385,804 computed for those employees. The total interagency payable due to the cities of Eugene and Springfield is \$7,173,145.

NOTE C – COMMITMENTS AND CONTINGENCIES

At June 30, 2016, MWMC was obligated by contracts for uncompleted construction projects for \$4,743,883.

NOTE D – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

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

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

MWMC may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets. Any changes adopted by MWMC in this manner must also be adopted by the City of Springfield, because MWMC's budget is included in the budget of the City of Springfield. Management may transfer budget amounts between individual line items within the control level, but cannot make changes between the legal levels of control. During the fiscal year ended June 30, 2016, MWMC adopted several transfer resolutions and supplemental budgets increasing expenditures by \$57,514,339. This was funded by reserves and adjustments to beginning cash - carrying forward budget planned, but not spent at the end of FY 2015.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E – RESTRICTED CASH AND INVESTMENTS

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

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

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

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

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

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

Detailed amounts for restricted cash and investments were as follows:

<u>Current</u>	
Construction funds	\$ 10,610,803
State Revolving Fund loan reserves	641,728
System development charge reserves	4,217,099
Investments for bond principal and interest	2,000,000
Insurance reserve	<u>180,800</u>
Current restricted cash	<u>\$ 17,650,430</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance restated	Increases	Decreases and Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,731,550	\$ -	\$ -	\$ 7,731,550
Construction in progress	6,441,935	2,795,389	(5,176,138)	4,061,186
Total capital assets, not being depreciated	<u>14,173,485</u>	<u>2,795,389</u>	<u>(5,176,138)</u>	<u>11,792,736</u>
Capital assets, being depreciated:				
Buildings	121,283,258	423,361	-	121,706,619
Machinery and equipment	117,084,034	5,952,136	(441,747)	122,594,423
Other	5,241,449	-	(614,316)	4,627,133
Total capital assets, being depreciated	<u>243,608,741</u>	<u>6,375,497</u>	<u>(1,056,063)</u>	<u>248,928,175</u>
Less accumulated depreciation for:				
Buildings	(59,881,487)	(4,421,231)	-	(64,302,718)
Machinery and equipment	(67,794,946)	(3,620,616)	405,806	(71,009,756)
Other	(2,778,701)	(222,457)	566,953	(2,434,205)
Total depreciation	<u>(130,455,134)</u>	<u>(8,264,304)</u>	<u>972,759</u>	<u>(137,746,679)</u>
Total capital assets, being depreciated, net	<u>113,153,607</u>	<u>(1,888,807)</u>	<u>(83,304)</u>	<u>111,181,496</u>
Capital assets, net	<u>\$ 127,327,092</u>	<u>\$ 906,582</u>	<u>\$ (5,259,442)</u>	<u>\$ 122,974,232</u>

NOTE G – REBATABLE ARBITRAGE

MWMC issued revenue bonds in the amount of \$47,270,000 on November 14, 2006, and \$50,730,000 on November 20, 2008. As of May 3, 2016 the 2006 and 2008 revenue bonds were refunded and a 2016 Revenue bond in the amount of \$32,725,000 was issued. 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, 2016.

NOTE H – LONG TERM DEBT

Revenue Bond Refunding

On May 3, 2016, the Metropolitan Wastewater Management Commission undertook an advanced refunding of the 2006 and 2008 revenue bonds. Proceeds, including premium, of approximately \$37.4 million plus approximately \$36.6 million of cash for scheduled debt service were sent to escrow to pay the principal and interest on \$69.4 million of existing bonds. As a result, the 2006 and 2008 bonds have been defeased in FY2015-16, and the liability has been removed from the statement of net position. This refunding was undertaken to reduce total debt service payments by \$52.1 million over ten years and resulted in an economic gain of \$15.3 million.

MWMC issued \$32,725,000 in new revenue bonds as a result of the refunding. 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. There are no longer specific reserves required by the bond covenants.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H – LONG TERM DEBT - Continued

Revenue obligation bonds payable transactions for the year ended June 30, 2016 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2015	Issued During Year	Matured During Year	Outstanding June 30, 2016	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2006	11/15/2006	2025	3.966%	\$ 33,470,000	\$ -	\$ 33,470,000	\$ -	\$ -
Series 2008	11/20/2008	2028	4.910%	\$ 40,020,000	\$ -	\$ 40,020,000	\$ -	\$ -
Series 2016	5/3/2016	2027	1.461%	\$ -	\$ 32,725,000	\$ -	\$ 32,725,000	\$ 2,625,000

Maturities of bond principal and interest are as follows:

Fiscal Year	Principal	Interest
2017	\$ 2,625,000	\$ 1,381,837
2018	2,725,000	1,282,850
2019	2,835,000	1,171,650
2020	2,955,000	1,055,850
2021	3,090,000	919,500
2022-2026	17,895,000	2,132,625
2027	600,000	12,000
Total	\$ 32,725,000	\$ 7,956,312

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H – LONG TERM DEBT - Continued

Notes Payable

At June 30, 2016, 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.	\$ 2,497,308
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, zero interest, due 2030.	1,400,000
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.44%, due 2030.	6,408,062
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.65%, due 2032.	3,510,134
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 1.25%, due 2030.	<u>1,279,700</u>
Total	<u><u>\$ 15,095,204</u></u>

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	<u>\$ 15,779,970</u>	<u>\$ 69,510</u>	<u>\$ (754,276)</u>	<u>\$ 15,095,204</u>	<u>\$ 1,048,619</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H – LONG TERM DEBT - Continued

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,048,619	\$ 405,463
2018	1,077,926	372,231
2019	1,099,435	346,707
2020	1,121,455	320,582
2021	997,327	293,845
2022-26	4,559,247	1,096,865
2027-31	4,805,461	426,606
2032-33	<u>385,734</u>	<u>12,847</u>
Total	<u>\$ 15,095,204</u>	<u>\$ 3,275,146</u>

MWMC maintained a loan reserve of \$641,728 as of June 30, 2016 in accordance with the loan agreements with the Oregon Department of Environmental Quality.

NOTE I – PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$2,174,364 has been recorded in fiscal year 2016 to increase the beginning net position. MWMC replaced the accounting tool used for tracking capital assets and calculating depreciation. As a result of this transition, it was discovered that some assets were over-depreciated in prior years resulting in higher depreciation expense and lower net asset value. This adjustment corrects the beginning net position and capital asset and accumulated depreciation amounts.

Metropolitan Wastewater Management Commission



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Supplementary Information

Metropolitan Wastewater Management Commission



partners in wastewater management

Metropolitan Wastewater Management Commission
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 Year Ended June 30, 2016

	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	\$ 31,537,014	\$ 75	\$ -	\$ 2,194,647	\$ 188,127	\$ -	\$ (330,151)	\$ 33,589,712
Investment earnings	113,831	177,265	339,779	17,323	3,053	-	-	651,251
Licenses and permits	12,099	-	-	-	-	-	-	12,099
Fines and forfeitures	1,500	-	-	-	-	-	-	1,500
Miscellaneous receipts	37,211	-	61,542	-	-	-	-	98,753
Total revenues	31,701,655	177,340	401,321	2,211,970	191,180	-	(330,151)	34,353,315
Expenses:								
Current operating:								
Finance	123,050	-	-	-	-	-	-	123,050
Development and public works	18,770,011	-	-	1,776	105	-	(330,151)	18,441,741
Debt service:								
Interest	423,899	(130,361)	(36,183)	-	-	3,100,976	-	3,358,331
Bond sale expense	176,776	-	-	-	-	-	-	176,776
Depreciation	8,264,304	-	-	-	-	-	-	8,264,304
Total expenses	27,758,040	(130,361)	(36,183)	1,776	105	3,100,976	(330,151)	30,364,202
Excess of revenues over (under) expenses	3,943,615	307,701	437,504	2,210,194	191,075	(3,100,976)	-	3,989,113
Other financing sources (uses):								
Transfers in	4,622,512	16,092,776	2,045,000	-	-	8,443,172	(31,203,460)	-
Transfers out	(19,712,404)	(1,476,421)	(3,026,739)	(2,000,000)	(19,276)	(4,968,619)	31,203,460	-
Gain on bond refunding	-	915,528	-	-	-	-	-	915,528
Loss on disposal of assets	14,673	-	-	-	-	-	-	14,673
Total other financing sources (uses)	(15,075,219)	15,531,883	(981,739)	(2,000,000)	(19,276)	3,474,553	-	930,202
Change in net position	(11,131,604)	15,839,584	(544,235)	210,194	171,799	373,577	-	4,919,315
Net position, beginning of year	137,919,216	21,746,571	(23,067,553)	3,780,930	558,352	(611,293)	-	140,326,223
Prior period adjustment - Note I	2,174,364	-	-	-	-	-	-	2,174,364
Net position, beginning of year, as restated	140,093,580	21,746,571	(23,067,553)	3,780,930	558,352	(611,293)	-	142,500,587
Net position, end of year	\$ 128,961,976	\$ 37,586,155	\$ (23,611,788)	\$ 3,991,124	\$ 730,151	\$ (237,716)	\$ -	\$ 147,419,902

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, 2016

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 31,549,000	\$ 31,549,000	\$ 31,560,047	\$ 11,047	\$ (23,033)	\$ 31,537,014
Investment earnings	85,000	85,000	106,032	21,032	7,799	113,831
Licenses and permits	9,200	9,200	12,120	2,920	(21)	12,099
Fines and forfeitures	600	600	1,500	900	-	1,500
Miscellaneous revenue	700,000	700,000	19,092	(680,908)	18,119	37,211
Total revenues	32,343,800	32,343,800	31,698,791	(645,009)	2,864	31,701,655
Expenses:						
Current operating:						
Finance	130,067	124,737	123,050	1,687	-	123,050
Development and public works	17,214,205	17,294,797	15,613,288	1,681,509	3,156,723	18,770,011
Debt service:						
Principal	1,034,224	755,224	754,276	948	(754,276)	-
Interest	419,891	444,891	444,633	258	(20,734)	423,899
Bond sale expense	-	248,929	176,776	72,153	-	176,776
Depreciation	-	-	-	-	8,264,304	8,264,304
Total expenses	18,798,387	18,868,578	17,112,023	1,756,555	10,646,017	27,758,040
Excess of revenues over (under) expenses	13,545,413	13,475,222	14,586,768	1,111,546	(10,643,153)	3,943,615
Other financing sources (uses):						
Transfers in	19,276	202,205	202,205	-	4,420,307	4,622,512
Transfers out	(14,859,628)	(18,959,628)	(18,958,128)	1,500	(754,276)	(19,712,404)
Gain (loss) on disposal of assets	-	-	-	-	14,673	14,673
Total other financing sources (uses)	(14,840,352)	(18,757,423)	(18,755,923)	1,500	3,680,704	(15,075,219)
Change in net position	(1,294,939)	(5,282,201)	(4,169,155)	1,113,046	(6,962,449)	(11,131,604)
Net position, beginning of year	16,289,243	16,158,038	16,158,038	-	121,761,178	137,919,216
Prior period adjustment - Note I	-	-	-	-	2,174,364	2,174,364
Net position, beginning of year, as restated	16,289,243	16,158,038	16,158,038	-	123,935,542	140,093,580
Net position, end of year	<u>\$ 14,994,304</u>	<u>\$ 10,875,837</u>	<u>\$ 11,988,883</u>	<u>\$ 1,113,046</u>	<u>\$ 116,973,093</u>	<u>\$ 128,961,976</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, 2016

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Intergovernmental revenue	\$ -	\$ -	\$ 75	\$ 75	\$ -	\$ 75
Investment earnings	100,000	100,000	215,487	115,487	(38,222)	177,265
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>215,562</u>	<u>115,562</u>	<u>(38,222)</u>	<u>177,340</u>
Expenses:						
Current operating:						
Development and public works	3,864,600	4,425,442	1,228,314	3,197,128	(1,228,314)	-
Capital projects	5,860,718	26,605,011	208,149	26,396,862	(208,149)	-
Debt service:						
Interest	-	-	-	-	(130,361)	(130,361)
Principal	-	31,380,000	31,380,000	-	(31,380,000)	-
Total expenses	<u>9,725,318</u>	<u>62,410,453</u>	<u>32,816,463</u>	<u>29,593,990</u>	<u>(32,946,824)</u>	<u>(130,361)</u>
Excess of revenues over (under) expenses	<u>(9,625,318)</u>	<u>(62,310,453)</u>	<u>(32,600,901)</u>	<u>29,709,552</u>	<u>32,908,602</u>	<u>307,701</u>
Other financing sources (uses):						
Transfers in	9,150,000	12,515,000	12,514,956	(44)	3,577,820	16,092,776
Transfers out	-	-	-	-	(1,476,421)	(1,476,421)
Loan proceeds	-	-	162,721	162,721	(162,721)	-
Gain on bond refunding	-	-	-	-	915,528	915,528
Total other financing sources (uses)	<u>9,150,000</u>	<u>12,515,000</u>	<u>12,677,677</u>	<u>162,677</u>	<u>2,854,206</u>	<u>15,531,883</u>
Change in net position	(475,318)	(49,795,453)	(19,923,224)	29,872,229	35,762,808	15,839,584
Net position, beginning of year	<u>71,461,437</u>	<u>72,596,523</u>	<u>72,596,523</u>	<u>-</u>	<u>(50,849,952)</u>	<u>21,746,571</u>
Net position, end of year	<u>\$ 70,986,119</u>	<u>\$ 22,801,070</u>	<u>\$ 52,673,299</u>	<u>\$ 29,872,229</u>	<u>\$ (15,087,144)</u>	<u>\$ 37,586,155</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, 2016

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Investment earnings	\$ 240,000	\$ 240,000	\$ 367,927	\$ 127,927	\$ (28,148)	\$ 339,779
Miscellaneous revenue	-	-	-	-	61,542	61,542
Total revenues	<u>240,000</u>	<u>240,000</u>	<u>367,927</u>	<u>127,927</u>	<u>33,394</u>	<u>401,321</u>
Expenses:						
Capital projects	12,213,286	13,292,107	2,843,810	10,448,297	(2,843,810)	-
Debt service:						
Interest	-	-	-	-	(36,183)	(36,183)
Principal	-	3,817,071	3,817,071	-	(3,817,071)	-
Total expenses	<u>12,213,286</u>	<u>17,109,178</u>	<u>6,660,881</u>	<u>10,448,297</u>	<u>(6,697,064)</u>	<u>(36,183)</u>
Excess of revenues over (under) expenses	<u>(11,973,286)</u>	<u>(16,869,178)</u>	<u>(6,292,954)</u>	<u>10,576,224</u>	<u>6,730,458</u>	<u>437,504</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	2,045,000	2,045,000
Transfers out	-	(182,929)	(182,929)	-	(2,843,810)	(3,026,739)
Total other financing sources (uses)	<u>-</u>	<u>(182,929)</u>	<u>(182,929)</u>	<u>-</u>	<u>(798,810)</u>	<u>(981,739)</u>
Change in net position	<u>(11,973,286)</u>	<u>(17,052,107)</u>	<u>(6,475,883)</u>	<u>10,576,224</u>	<u>5,931,648</u>	<u>(544,235)</u>
Net position, beginning of year	<u>15,973,286</u>	<u>17,086,686</u>	<u>17,086,686</u>	<u>-</u>	<u>(40,154,239)</u>	<u>(23,067,553)</u>
Net position, end of year	<u>\$ 4,000,000</u>	<u>\$ 34,579</u>	<u>\$ 10,610,803</u>	<u>\$ 10,576,224</u>	<u>\$ (34,222,591)</u>	<u>\$ (23,611,788)</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, 2016

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 1,000,000	\$ 1,000,000	\$ 2,197,212	\$ 1,197,212	\$ (2,565)	\$ 2,194,647
Investment earnings	8,000	8,000	21,491	13,491	(4,168)	17,323
Total revenues	<u>1,008,000</u>	<u>1,008,000</u>	<u>2,218,703</u>	<u>1,210,703</u>	<u>(6,733)</u>	<u>2,211,970</u>
Expenses:						
Current operating:						
Development and public works	2,000	2,000	1,776	224	-	1,776
Excess of revenues over (under) expenses	1,006,000	1,006,000	2,216,927	1,210,927	(6,733)	2,210,194
Other financing sources (uses):						
Transfers out	(2,000,000)	(2,000,000)	(2,000,000)	-	-	(2,000,000)
Change in net position	(994,000)	(994,000)	216,927	1,210,927	(6,733)	210,194
Net position, beginning of year	<u>2,953,028</u>	<u>3,763,341</u>	<u>3,763,341</u>	<u>-</u>	<u>17,589</u>	<u>3,780,930</u>
Net position, end of year	<u>\$ 1,959,028</u>	<u>\$ 2,769,341</u>	<u>\$ 3,980,268</u>	<u>\$ 1,210,927</u>	<u>\$ 10,856</u>	<u>\$ 3,991,124</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, 2016

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 102,500	\$ 102,500	\$ 188,401	\$ 85,901	\$ (274)	\$ 188,127
Investment earnings	1,300	1,300	3,547	2,247	(494)	3,053
Total revenues	<u>103,800</u>	<u>103,800</u>	<u>191,948</u>	<u>88,148</u>	<u>(768)</u>	<u>191,180</u>
Expenses:						
Current operating:						
Development and public works	<u>2,000</u>	<u>2,000</u>	<u>105</u>	<u>1,895</u>	<u>-</u>	<u>105</u>
Excess of revenues over (under) expenses	101,800	101,800	191,843	90,043	(768)	191,075
Other financing sources (uses):						
Transfers out	<u>(19,276)</u>	<u>(19,276)</u>	<u>(19,276)</u>	<u>-</u>	<u>-</u>	<u>(19,276)</u>
Change in net position	82,524	82,524	172,567	-	(768)	171,799
Net position, beginning of year	<u>490,946</u>	<u>555,989</u>	<u>555,989</u>	<u>-</u>	<u>2,363</u>	<u>558,352</u>
Net position, end of year	<u>\$ 573,470</u>	<u>\$ 638,513</u>	<u>\$ 728,556</u>	<u>\$ 90,043</u>	<u>\$ 1,595</u>	<u>\$ 730,151</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, 2016

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Expenses:						
Debt service:						
Principal	\$ 4,135,000	\$ 4,135,000	\$ 4,135,000	\$ -	\$ (4,135,000)	\$ -
Interest	3,574,628	4,309,628	4,308,169	1,459	(1,207,193)	3,100,976
Total expenses	<u>7,709,628</u>	<u>8,444,628</u>	<u>8,443,169</u>	<u>1,459</u>	<u>(5,342,193)</u>	<u>3,100,976</u>
Other financing sources (uses):						
Transfers in	7,709,628	8,444,628	8,443,172	(1,456)	-	8,443,172
Transfers out	-	-	-	-	(4,968,619)	(4,968,619)
Total other financing sources (uses)	<u>7,709,628</u>	<u>8,444,628</u>	<u>8,443,172</u>	<u>(1,456)</u>	<u>(4,968,619)</u>	<u>3,474,553</u>
Change in net position	-	-	3	3	373,574	373,577
Net position, beginning of year	-	2	2	-	(611,295)	(611,293)
Net position, end of year	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ (237,721)</u>	<u>\$ (237,716)</u>

Metropolitan Wastewater Management Commission



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Compliance Section

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 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 (MWMC) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 28, 2016.

Compliance and Order Matters

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

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

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

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


Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By: 

Ryan T. Pasquarella, A Shareholder
December 28, 2016



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 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, 2016, and the related notes to the financial statements, which collectively comprise MWMC's basic financial statements, and have issued our report thereon dated December 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MWMC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2016