

REGIONAL WASTEWATER PROGRAM ANNUAL FINANCIAL REPORT



Metropolitan Wastewater MANAGEMENT COMMISSION



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June 30, 2018 and June 30, 2017

Metropolitan Wastewater MANAGEMENT COMMISSION



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

ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2018 and 2017

Metropolitan Wastewater MANAGEMENT COMMISSION



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METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2018 and 2017

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Introductory Section

Metropolitan Wastewater MANAGEMENT COMMISSION



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Metropolitan Wastewater Management Commission
Of the Eugene-Springfield Metropolitan Area

June 30, 2018

GOVERNING BOARD

Peter Ruffier
2724 Malibu Way
Eugene, OR 97405
Eugene
Citizen Representative
President

Doug Keeler
3905 Hayden Bridge Rd.
Springfield, OR 97477
Springfield
Citizen Representative
Vice-President

Pat Farr
125 E. 8th Ave.
Eugene, OR 97401
Lane County
Lane County Commissioner

Jennifer Yeh
125 E. 8th Ave., 2nd Floor
Eugene, OR 97401
Eugene
Council Representative

Joe Pishioneri
961 S 70th Street
Springfield, OR 97478
Springfield
Council Representative

Walt Meyer
3987 Brae Burn Dr.
Eugene, OR 97405
Eugene
Citizen Representative

Bill Inge
1831 W. Broadway
Eugene, OR 97402
Lane County
Citizen Representative

ADMINISTRATION

225 Fifth Street
Springfield, Oregon 97477

Tom Boyatt
Interim MWMC Executive Officer

Matt Stouder
MWMC General Manager

Dave Breitenstein
Interim 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, 2018 and 2017, 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, 2018 and 2017, 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

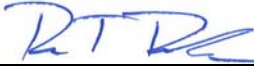
In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of MWMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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 19, 2018, 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 19, 2018

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, 2018. 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, 2018 were \$225.5 million and exceeded liabilities by \$166.6 million (i.e. net position). The increase in net position of \$8.6 million was the result of a combination of a rate increase and a reduction of debt service. Of the total net position, \$5.3 million is restricted for capital improvements, \$86.2 million represents net investment in capital assets, \$.7 million for debt service, and \$74.4 million is unrestricted and available for future appropriation.
- Operating revenues for the year were \$33.5 million. This is an increase of 3.4% from fiscal year 2017 operating revenue of \$32.4 million. Fiscal year 2017 had a 3.8% increase from 2016 increasing from \$31.2 million to \$32.4 million.
- Total operating and maintenance expenses for the year were \$14.6 million and the total administration expenses were \$4.1 million compared to the prior year when expenses were \$13.4 and \$3.5 million respectively, and 2016 where they were \$14.9 and \$3.6 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 three budgetary funds: the Regional Wastewater Fund, the Regional Wastewater Capital Fund, and the Regional Wastewater Bond 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 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

	<u>2018</u>	Restated <u>2017</u>	<u>2016</u>
Current and other assets	\$ 91,892,837	\$ 95,657,150	\$ 83,217,275
Capital assets, net, where applicable, of accumulated depreciation	<u>130,752,861</u>	<u>118,874,194</u>	<u>122,974,232</u>
Total assets	<u>222,645,698</u>	<u>214,531,344</u>	<u>206,191,507</u>
Deferred outflows of resources	<u>2,890,991</u>	<u>3,237,587</u>	<u>3,584,183</u>
Current liabilities	8,359,544	6,548,006	5,866,035
Long-term liabilities	<u>50,596,591</u>	<u>53,208,828</u>	<u>56,489,753</u>
Total liabilities	<u>58,956,135</u>	<u>59,756,834</u>	<u>62,355,788</u>
Net position:			
Net investment in capital assets	86,239,077	78,268,420	79,714,451
Restricted for capital improvement	5,254,513	4,908,728	4,798,029
Restricted for debt service	673,246	641,728	641,728
Unrestricted	<u>74,413,718</u>	<u>74,193,221</u>	<u>64,604,281</u>
Total net position	<u>\$ 166,580,554</u>	<u>\$ 158,012,097</u>	<u>\$ 149,758,489</u>

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

	<u>2018</u>	Restated <u>2017</u>	<u>2016</u>
Operating revenues	\$ 33,542,681	\$ 32,405,454	\$ 31,222,377
Operations & maintenance	(14,628,133)	(13,396,494)	(14,933,988)
Administration	(4,111,570)	(3,467,984)	(3,630,803)
Depreciation	<u>(8,136,965)</u>	<u>(8,256,170)</u>	<u>(8,264,304)</u>
Operating income	6,666,013	7,284,806	4,393,282
Non-operating revenues (expenses), net (includes capital contributions)	<u>1,902,444</u>	<u>968,802</u>	<u>526,032</u>
Change in net position	<u>\$ 8,568,457</u>	<u>\$ 8,253,608</u>	<u>\$ 4,919,314</u>

Operating revenues increased by 3.4% from fiscal year 2017 to 2018 and 3.8% from fiscal year 2016 to 2017. This increase was primarily due to the increases in user fees and a significant increase in septic hauler revenues.

Operating expenses increased by 7% overall from fiscal year 2017. This mainly revolved around personal services. In addition to annual COLA and step increases, the cities had a significant PERS increase in FY18. MWMC expects a few more bi-annual increases related to PERS in the near future years as the State of Oregon works to make the retirement plan sustainable.

Another factor affecting personal services is the implementation of Statement 75 issued by the governmental accounting standards board (GASB) to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). While the MWMC has no employees of its own, it contracts its employees from the Cities of Eugene and Springfield – both of which implemented GASB 75 in FY18. The impact of this accounting change was an increase in the OPEB future liability that must be recognized, resulting in an increase to the fringe benefits expense in personal services. This contributed to the increase in operating expenses we see in the current year.

Non-operating revenues increased by 96%. This was comprised of multiple factors, the largest being the 56% (479K) increase in interest income over FY17. This was a result of interest rates almost doubling, and capital expenditures happening slower than expected. Other major drivers were a 16% (261K) increase in system development charges and an 8% (131K) decrease in interest expense as principal balances decline.

Capital Assets

MWMC's investment in capital assets as of June 30, 2018 was \$131 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and other assets. The net increase in the MWMC's investment in capital assets for the current fiscal year was 10%. MWMC has added \$20 million of assets this year as part of the continuing capital improvement plan in place for the facilities upgrades, offset by \$8.1 million in annual depreciation.

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

- Work continued on Digestion Capacity Increase, with expenses of \$8.9 million.
- Operations & Maintenance Building Improvements work continued, spending \$7.1 million.
- \$1 million dollars was spent on the Electrical Distribution system project.
- The Brown Lane property was acquired for \$888,000.
- Planting and harvesting work continued for the Poplar Farm spending \$436,000.

- Work began on the Renewable Natural Gas Upgrade project, with expenses of \$258,000 in FY18.

MWMC's Capital Assets
(net of depreciation)

	June 30,		
	2018	2017	2016
Land	\$ 8,619,727	\$ 7,731,550	\$ 7,731,550
Construction in progress	24,168,104	6,986,921	4,061,186
Buildings	48,761,550	53,094,898	57,403,901
Machinery and equipment	47,319,038	48,944,985	51,584,667
Other assets	1,884,442	2,115,840	2,192,928
Total	\$ 130,752,861	\$ 118,874,194	\$ 122,974,232

Debt Administration:

At the end of the current fiscal year, the MWMC had total bonded debt outstanding (net of premium and discounts) of \$31.5 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 with 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, 2018, MWMC approved a 3% rate increase that was effective July 1, 2017 (a 2.0% increase was effective July 1, 2016). The new rate resulted in an average residential billing of \$25.85 per month based on typical residential consumption of 5,000 gallons. The budget included an annual capital contribution of \$14 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. In May of 2016, the MWMC refunded the 2008 revenue bond and retired the 2006 bond. As planned, the MWMC has increased the capital contribution each year with the savings in debt service. Additionally, the Commission has voted to retire two

state revolving fund loans early in FY2018-19. This will result in additional interest savings of \$1.2 million dollars.

The FY2018-19 budget reflects an 2.5% rate increase over the 2018 rates. The rates fund operations, administrative services, debt service, capital contributions, and satisfy bond coverage requirements. The new budget also includes another annual capital contribution of \$14 million in order to fund the Facilities Plan.

Requests for Information

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

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

Basic Financial Statements

Metropolitan Wastewater MANAGEMENT COMMISSION



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Metropolitan Wastewater Management Commission
Comparative Statements of Net Position

	June 30,	
	2018	Restated 2017
ASSETS		
Cash and investments		
Unrestricted	\$ 76,965,124	\$ 73,150,220
Restricted	8,294,751	16,094,130
Accounts receivable	186,272	144,332
Intergovernmental receivable, net	4,825,898	4,603,930
Inventory	524,216	534,937
Accrued interest	156,460	173,189
Prepaid expenses	60,633	36,865
Deposits	700,000	700,000
Notes receivable (System Development Charges)	179,483	219,547
Capital assets:		
Land and work in progress	32,787,831	14,718,471
Other capital assets, net of accumulated depreciation	97,965,030	104,155,723
Total assets	222,645,698	214,531,344
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge for debt refunding	2,890,991	3,237,587
LIABILITIES		
Current liabilities:		
Accounts and contracts payable	4,107,571	2,406,051
Other accrued liabilities	43,894	43,480
Interest payable	259,587	281,539
Current portion of notes payable	1,099,435	1,077,926
Current portion of revenue bonds payable	2,835,000	2,725,000
Unearned revenues	14,057	14,010
Total current liabilities	8,359,544	6,548,006
Long-term liabilities:		
Due to other governments	10,017,242	8,195,095
Notes payable	11,869,224	12,968,659
Revenue bonds payable (net of unamortized premium, and current portion)	28,710,125	32,045,074
Total long-term liabilities	50,596,591	53,208,828
Total liabilities	58,956,135	59,756,834
NET POSITION		
Net investment in capital assets	86,239,077	78,268,420
Restricted for capital improvement	5,254,513	4,908,728
Restricted for debt service	673,246	641,728
Unrestricted	74,413,718	74,193,221
Total net position	\$ 166,580,554	\$ 158,012,097

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,	
	2018	Restated 2017
Operating revenues:		
Sewer user fees	\$ 33,475,730	\$ 32,351,935
Other operating receipts	66,951	53,519
Total operating revenues	<u>33,542,681</u>	<u>32,405,454</u>
Operating expenses:		
Operations and maintenance	14,628,133	13,396,494
Administration	4,111,570	3,467,984
Depreciation	8,136,965	8,256,170
Total operating expenses	<u>26,876,668</u>	<u>25,120,648</u>
Operating income	<u>6,666,013</u>	<u>7,284,806</u>
Non-operating revenues (expenses):		
Interest income	1,337,547	858,398
Interest expense	(1,479,778)	(1,611,275)
Lease income	55,764	51,771
Gain (loss) on disposal of capital assets	2,108	36,632
Miscellaneous revenue	121,107	28,954
Total non-operating revenues (expenses)	<u>36,748</u>	<u>(635,520)</u>
Income before contributions	6,702,761	6,649,286
Capital contributions	<u>1,865,696</u>	<u>1,604,322</u>
Change in net position	<u>8,568,457</u>	<u>8,253,608</u>
Net position, beginning of year	158,012,097	147,419,902
Prior period adjustment - Note I	<u>-</u>	<u>2,338,587</u>
Net position, beginning of year, as restated	<u>158,012,097</u>	<u>149,758,489</u>
Net position, end of year	<u>\$ 166,580,554</u>	<u>\$ 158,012,097</u>

The accompanying notes are an integral part of these statements.

Metropolitan Wastewater Management Commission
Comparative Statements of Cash Flows

	For the year ended June 30,	
	2018	Restated 2017
Cash flows from operating activities:		
Cash received from customers	\$ 33,211,822	\$ 32,524,325
Cash paid to other governments	(10,460,345)	(9,794,401)
Cash paid to suppliers for goods and services	(4,768,324)	(5,554,173)
Other operating receipts	66,998	138,710
Net cash provided by operating activities	<u>18,050,151</u>	<u>17,314,461</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(19,917,795)	(4,128,962)
Proceeds from sale of capital assets	25,378	38,416
Proceeds of capital contributions	1,865,696	1,604,322
Principal paid on notes payable	(1,077,926)	(1,048,619)
Principal paid on revenue bonds payable	(2,878,353)	(2,778,353)
Interest payments	(1,501,730)	(1,633,947)
Net cash used in capital and related financing activities	<u>(23,484,730)</u>	<u>(7,947,143)</u>
Cash flows from investing activities:		
Interest received	1,354,276	867,490
Notes receivable issued	(61,711)	(149,589)
Cash received on notes receivable	101,775	510,972
Lease income	55,764	51,771
Net cash provided by investing activities	<u>1,450,104</u>	<u>1,280,644</u>
Net increase (decrease) in cash and investments	(3,984,475)	10,647,962
Cash and investments, beginning of year	<u>89,244,350</u>	<u>78,596,388</u>
Cash and investments, end of year	<u>\$ 85,259,875</u>	<u>\$ 89,244,350</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,666,013	\$ 7,284,806
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,136,965	8,256,170
Changes in assets and liabilities:		
Intergovernment receivable	(221,968)	255,251
Other accounts receivable	(41,940)	(82,861)
Prepaid expenses	(23,768)	(36,865)
Accounts and contracts payable	1,701,520	1,094,259
Due to other governments	1,822,561	993,447
Inventory	10,721	(534,937)
Miscellaneous revenue	-	84,188
Unearned revenue	47	1,003
Net cash provided by operating activities	<u>\$ 18,050,151</u>	<u>\$ 17,314,461</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, 2018

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 three 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, 2018

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, 2018, 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.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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, 2018 for operation and maintenance costs incurred by the City of Eugene is \$1,047,040 (\$1,253,470 for 2017). The total costs charged to MWMC for the year ended June 30, 2018 were \$14,628,133 (\$13,396,494 for 2017).

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B – INTERGOVERNMENTAL AGREEMENTS – Continued

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, 2018 and 2017 were \$4,111,570 and \$3,467,984 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, 2018 was \$809,364 (\$160,024 for 2017).

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 \$707,384 (\$664,367 for 2017), and the net pension liability of \$8,500,494 (\$7,370,704 for 2017) computed for those employees. The total interagency payable due to the cities of Eugene and Springfield is \$10,017,242 (\$8,195,095 for 2017).

NOTE C – COMMITMENTS AND CONTINGENCIES

At June 30, 2018, MWMC was obligated by contracts for uncompleted construction projects for \$13,165,267. At June 30, 2017, the obligation on contracts for capital improvement projects was \$25,987,611.

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.

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, 2018, MWMC adopted

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

several transfer resolutions and supplemental budgets increasing expenditures by \$6,577,960. This was funded by reserves and adjustments to beginning cash - carrying forward budget planned, but not spent at the end of FY 2017.

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>	2018	2017
Construction funds	\$ 35,067	\$ 8,248,221
State Revolving Fund loan reserves	673,246	641,728
System development charge reserves	5,071,438	4,689,181
Investments for bond principal and interest	2,000,000	2,000,000
Insurance reserve	515,000	515,000
Total restricted cash and investments	\$ 8,294,751	\$ 16,094,130

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,731,550	\$ 888,177	\$ -	\$ 8,619,727
Construction in progress	6,986,921	17,451,537	(270,354)	24,168,104
Total capital assets, not being depreciated	<u>14,718,471</u>	<u>18,339,714</u>	<u>(270,354)</u>	<u>32,787,831</u>
Capital assets, being depreciated:				
Buildings	121,822,534	-	-	121,822,534
Machinery and equipment	123,324,850	1,781,111	89,714	125,195,675
Other	4,792,451	-	-	4,792,451
Total capital assets, being depreciated	<u>249,939,835</u>	<u>1,781,111</u>	<u>89,714</u>	<u>251,810,660</u>
Less accumulated depreciation for:				
Buildings	(68,727,636)	(4,333,348)	-	(73,060,984)
Machinery and equipment	(74,379,865)	(3,572,219)	75,447	(77,876,637)
Other	(2,676,611)	(231,398)	-	(2,908,009)
Total depreciation	<u>(145,784,112)</u>	<u>(8,136,965)</u>	<u>75,447</u>	<u>(153,845,630)</u>
Total capital assets, being depreciated, net	<u>104,155,723</u>	<u>(6,355,854)</u>	<u>165,161</u>	<u>97,965,030</u>
Capital assets, net	<u>\$ 118,874,194</u>	<u>\$ 11,983,860</u>	<u>\$ (105,193)</u>	<u>\$ 130,752,861</u>

Capital asset activity for the year ended June 30, 2017 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	4,061,186	2,925,735	-	6,986,921
Total capital assets, not being depreciated	<u>11,792,736</u>	<u>2,925,735</u>	<u>-</u>	<u>14,718,471</u>
Capital assets, being depreciated:				
Buildings	121,706,619	115,915	-	121,822,534
Machinery and equipment	122,594,423	1,076,828	(346,401)	123,324,850
Other	4,627,133	165,318	-	4,792,451
Total capital assets, being depreciated	<u>248,928,175</u>	<u>1,358,061</u>	<u>(346,401)</u>	<u>249,939,835</u>
Less accumulated depreciation for:				
Buildings	(64,302,718)	(4,424,918)	-	(68,727,636)
Machinery and equipment	(71,009,756)	(3,596,838)	226,729	(74,379,865)
Other	(2,434,205)	(242,406)	-	(2,676,611)
Total depreciation	<u>(137,746,679)</u>	<u>(8,264,162)</u>	<u>226,729</u>	<u>(145,784,112)</u>
Total capital assets, being depreciated, net	<u>111,181,496</u>	<u>(6,906,101)</u>	<u>(119,672)</u>	<u>104,155,723</u>
Capital assets, net	<u>\$ 122,974,232</u>	<u>\$ (3,980,366)</u>	<u>\$ (119,672)</u>	<u>\$ 118,874,194</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – REBATABLE ARBITRAGE

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, however all bond proceeds have been spent as of June 30, 2018. 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, 2018.

NOTE H – LONG TERM DEBT

Revenue Bonds

MWMC issued \$32,725,000 in new revenue bonds as a result of a bond refunding in FY2015-16. 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 \$2,890,991 unamortized as of June 30, 2018. There are no longer specific reserves required by the bond covenants.

Revenue obligation bonds payable transactions for the year ended June 30, 2018 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2017	Issued During Year	Matured During Year	Outstanding June 30, 2018	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2016	5/3/2016	2027	1.461%	\$ 30,100,000	\$ -	\$ 2,725,000	\$ 27,375,000	\$ 2,835,000
						Unamortized premium	4,170,125	
						Due in current year	<u>(2,835,000)</u>	
					Total revenue bonds payable		<u>\$ 28,710,125</u>	

Revenue obligation bonds payable transactions for the year ended June 30, 2017 are as follows:

	Issue Date	Final Maturity Date	Effective Interest Rate	Outstanding July 1, 2016	Issued During Year	Matured During Year	Outstanding June 30, 2017	Due Within One Year
Sewer system revenue bonds serviced by fund revenues:								
Series 2016	5/3/2016	2027	1.461%	\$ 32,725,000	\$ -	\$ 2,625,000	\$ 30,100,000	\$ 2,725,000
						Unamortized premium	4,670,074	
						Due in current year	<u>(2,725,000)</u>	
					Total revenue bonds payable		<u>\$ 32,045,074</u>	

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H – LONG TERM DEBT - Continued

Maturities of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,835,000	\$ 1,171,650
2020	2,955,000	1,055,850
2021	3,090,000	919,500
2022	3,245,000	761,125
2023	3,410,000	594,750
2024-2027	<u>11,840,000</u>	<u>788,750</u>
Total	<u>\$ 27,375,000</u>	<u>\$ 5,291,625</u>

Notes Payable

At June 30, 2018, 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.	\$ 2,196,656
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, zero interest, due 2030.	1,200,000
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.44%, due 2030.	5,690,911
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.65%, due 2032.	3,161,298
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 1.25%, due 2030.	<u>719,794</u>
Total	<u>\$ 12,968,659</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H – LONG TERM DEBT - Continued

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 14,046,585	\$ -	\$ (1,077,926)	\$ 12,968,659	\$ 1,099,435

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 15,095,204	\$ -	\$ (1,048,619)	\$ 14,046,585	\$ 1,077,926

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,099,435	\$ 346,707
2020	1,121,455	320,582
2021	997,327	293,845
2022	870,979	269,230
2023	890,891	244,926
2024-28	4,771,681	837,925
2029-33	<u>3,216,891</u>	<u>184,237</u>
Total	<u>\$ 12,968,659</u>	<u>\$ 2,497,452</u>

MWMC maintained a loan reserve of \$673,246 as of June 30, 2018 in accordance with the loan agreements with the Oregon Department of Environmental Quality.

NOTE I – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment in the amount of \$2,338,587 was recorded in fiscal year 2017 that increased the beginning net position. MWMC recorded inventory that was not reported in prior years for \$491,423 which reduced prior year expenses. Additionally, \$1,762,976 of revenue was accrued correcting a timing difference between utility company billings, and turnover to the MWMC. Finally, a vehicle replacement reserve was being held by the City of Springfield on behalf of the MWMC fund, as is done with other City funds. Since MWMC is a separate entity, it will be responsible for its own vehicle purchases. The cash in that reserve of \$84,188 was transferred back to the MWMC and recorded as miscellaneous income, but belongs to prior years.

Metropolitan Wastewater MANAGEMENT COMMISSION



partners in wastewater management

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, 2018

	Regional Wastewater Fund	Regional Wastewater Capital Fund	Regional Wastewater Bond Capital Fund	Eliminations	Total
Revenues:					
Charges for services	\$ 34,022,414	\$ 30	\$ -	\$ (490,950)	\$ 33,531,494
Investment earnings	180,783	1,029,300	127,464	-	1,337,547
Intergovernmental revenue	53,407	345	-	-	53,752
Licenses and permits	12,999	-	-	-	12,999
Fines and forfeitures	200	-	-	-	200
Miscellaneous receipts	115,239	5,868	-	-	121,107
Total revenues	34,385,042	1,035,543	127,464	(490,950)	35,057,099
Expenses:					
Current operating:					
Finance	134,997	-	-	-	134,997
Development and public works	19,095,126	530	-	(490,950)	18,604,706
Debt service:					
Interest and premium amortization	1,633,131	-	(153,353)	-	1,479,778
Depreciation	8,136,965	-	-	-	8,136,965
Total expenses	29,000,219	530	(153,353)	(490,950)	28,356,446
Excess of revenues over (under) expenses	5,384,823	1,035,013	280,817	-	6,700,653
Other financing sources (uses):					
Transfers in	22,698,516	15,927,926	2,725,000	(41,351,442)	-
Transfers out	(18,652,926)	(14,344,296)	(8,354,220)	41,351,442	-
Capital contributions	(53,267)	1,918,963	-	-	1,865,696
Gain on disposal of capital assets	2,108	-	-	-	2,108
Total other financing sources (uses)	3,994,431	3,502,593	(5,629,220)	-	1,867,804
Change in net position	9,379,254	4,537,606	(5,348,403)	-	8,568,457
Net position, beginning of year, as restated	127,694,537	53,577,981	(23,260,421)	-	158,012,097
Net position, end of year	\$ 137,073,791	\$ 58,115,587	\$ (28,608,824)	\$ -	\$ 166,580,554

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, 2018

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Charges for services	\$ 32,825,500	\$ 32,825,500	\$ 33,838,017	\$ 1,012,517	\$ 184,397	\$ 34,022,414
Investment earnings	100,000	100,000	162,729	62,729	18,054	180,783
Intergovernmental revenue	-	-	53,407	53,407	-	53,407
Licenses and permits	9,510	9,510	11,687	2,177	1,312	12,999
Fines and forfeitures	600	600	200	(400)	-	200
Miscellaneous revenue	700,000	700,000	140,973	(559,027)	(25,734)	115,239
Total revenues	33,635,610	33,635,610	34,207,013	571,403	178,029	34,385,042
Expenses:						
Current operating:						
Finance	145,074	145,074	134,997	10,077	-	134,997
Development and public works	18,139,126	18,279,048	16,534,996	1,744,052	2,560,130	19,095,126
Debt service:						
Principal	3,802,935	3,802,935	3,802,926	9	(3,802,926)	-
Interest	1,655,097	1,655,097	1,655,081	16	(21,950)	1,633,131
Depreciation	-	-	-	-	8,136,965	8,136,965
Total expenses	23,742,232	23,882,154	22,128,000	1,754,154	6,872,219	29,000,219
Excess of revenues over (under) expenses	9,893,378	9,753,456	12,079,013	2,325,557	(6,694,190)	5,384,823
Other financing sources (uses):						
Transfers in	2,021,350	2,021,350	2,021,350	-	20,677,166	22,698,516
Transfers out	(14,850,000)	(14,850,000)	(14,850,000)	-	(3,802,926)	(18,652,926)
Capital contributions	-	-	-	-	(53,267)	(53,267)
Gain (loss) on disposal of assets	-	-	-	-	2,108	2,108
Total other financing sources (uses)	(12,828,650)	(12,828,650)	(12,828,650)	-	16,823,081	3,994,431
Change in net position	(2,935,272)	(3,075,194)	(749,637)	2,325,557	10,128,891	9,379,254
Net position, beginning of year, as restated	12,603,539	14,112,787	14,112,786	-	113,581,751	127,694,537
Net position, end of year	\$ 9,668,267	\$ 11,037,593	\$ 13,363,149	\$ 2,325,557	\$ 123,710,642	\$ 137,073,791

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, 2018

	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	158,200	158,200	1,009,975	851,775	19,325	1,029,300
Intergovernmental revenue	150	150	345	195	-	345
Miscellaneous receipts	7,000	7,000	5,897	(1,103)	(29)	5,868
Total revenues	<u>165,350</u>	<u>165,350</u>	<u>1,016,247</u>	<u>850,897</u>	<u>19,296</u>	<u>1,035,543</u>
Expenses:						
Current operating:						
Development and public works	1,907,000	2,729,145	1,870,041	859,104	(1,869,511)	530
Capital projects	24,508,931	30,902,673	10,453,434	20,449,239	(10,453,434)	-
Total expenses	<u>26,415,931</u>	<u>33,631,818</u>	<u>12,323,475</u>	<u>21,308,343</u>	<u>(12,322,945)</u>	<u>530</u>
Excess of revenues over (under) expenses	<u>(26,250,581)</u>	<u>(33,466,468)</u>	<u>(11,307,228)</u>	<u>22,159,240</u>	<u>12,342,241</u>	<u>1,035,013</u>
Other financing sources (uses):						
Transfers in	14,850,000	14,850,000	14,850,000	-	1,077,926	15,927,926
Transfers out	(2,021,350)	(2,021,350)	(2,021,350)	-	(12,322,946)	(14,344,296)
Capital contributions	1,430,000	1,430,000	2,327,285	897,285	(408,322)	1,918,963
Total other financing sources (uses)	<u>14,258,650</u>	<u>14,258,650</u>	<u>15,155,935</u>	<u>897,285</u>	<u>(11,653,342)</u>	<u>3,502,593</u>
Change in net position	(11,991,931)	(19,207,818)	3,848,707	23,056,525	688,899	4,537,606
Net position, beginning of year	<u>64,720,379</u>	<u>67,572,198</u>	<u>67,572,198</u>	<u>-</u>	<u>(13,994,217)</u>	<u>53,577,981</u>
Net position, end of year	<u>\$ 52,728,448</u>	<u>\$ 48,364,380</u>	<u>\$ 71,420,905</u>	<u>\$ 23,056,525</u>	<u>\$ (13,305,318)</u>	<u>\$ 58,115,587</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, 2018

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Investment earnings	\$ 200,100	\$ 200,100	\$ 141,066	\$ (59,034)	\$ (13,602)	\$ 127,464
Miscellaneous revenue	-	-	-	-	-	-
Total revenues	<u>200,100</u>	<u>200,100</u>	<u>141,066</u>	<u>(59,034)</u>	<u>(13,602)</u>	<u>127,464</u>
Expenses:						
Capital projects	9,132,069	8,354,220	8,354,220	-	(8,354,220)	-
Debt service:						
Interest	-	-	-	-	(153,353)	(153,353)
Principal	-	-	-	-	-	-
Total expenses	<u>9,132,069</u>	<u>8,354,220</u>	<u>8,354,220</u>	<u>-</u>	<u>(8,507,573)</u>	<u>(153,353)</u>
Excess of revenues over (under) expenses	<u>(8,931,969)</u>	<u>(8,154,120)</u>	<u>(8,213,154)</u>	<u>(59,034)</u>	<u>8,493,971</u>	<u>280,817</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	2,725,000	2,725,000
Transfers out	-	-	-	-	(8,354,220)	(8,354,220)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,629,220)</u>	<u>(5,629,220)</u>
Change in net position	<u>(8,931,969)</u>	<u>(8,154,120)</u>	<u>(8,213,154)</u>	<u>(59,034)</u>	<u>2,864,751</u>	<u>(5,348,403)</u>
Net position, beginning of year	<u>9,007,019</u>	<u>8,248,221</u>	<u>8,248,221</u>	<u>-</u>	<u>(31,508,642)</u>	<u>(23,260,421)</u>
Net position, end of year	<u>\$ 75,050</u>	<u>\$ 94,101</u>	<u>\$ 35,067</u>	<u>\$ (59,034)</u>	<u>\$ (28,643,891)</u>	<u>\$ (28,608,824)</u>

Compliance Section

Metropolitan Wastewater MANAGEMENT COMMISSION



partners in wastewater management



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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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 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 years ended June 30, 2018 and 2017, and have issued our report thereon dated December 19, 2018.

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 19, 2018



GROVE, MUELLER & SWANK, P.C.

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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, 2018, and the related notes to the financial statements, which collectively comprise MWMC's basic financial statements, and have issued our report thereon dated December 19, 2018.

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 19, 2018