

# Regional Wastewater Program Annual Financial Report



Metropolitan Wastewater  
MANAGEMENT COMMISSION



*partners in wastewater management*

**June 30, 2019 and June 30, 2018**



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

**ANNUAL FINANCIAL REPORT**

**For the Years Ended June 30, 2019 and 2018**

# Metropolitan Wastewater MANAGEMENT COMMISSION



*partners in wastewater management*

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2019 and 2018

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# Metropolitan Wastewater MANAGEMENT COMMISSION



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# **Introductory Section**



# Metropolitan Wastewater MANAGEMENT COMMISSION



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## GOVERNING BOARD

June 30, 2019

Doug Keeler  
Springfield, OR 97477

Springfield Citizen Representative  
President

Pat Farr  
Eugene, OR 97401

Lane County Board of Commissioners Representative  
Vice-President

Jennifer Yeh  
Eugene, OR 97401

Eugene Council Representative

Walt Meyer  
Eugene, OR 97405

Eugene Citizen Representative

Peter Ruffier  
Eugene, OR 97405

Eugene Citizen Representative

Bill Inge  
Eugene, OR 97402

Lane County Citizen Representative

Joe Pishioneri  
Springfield, OR 97478

Springfield Council Representative

## ADMINISTRATION

225 Fifth Street  
Springfield, Oregon 97477

Matt Stouder

MWMC General Manager/Executive Officer

Dave Breitenstein

Wastewater Division Director

Nathan Bell

MWMC Finance Officer

# Metropolitan Wastewater MANAGEMENT COMMISSION



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# **Financial Section**



# **Independent Auditor's Report**





## 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 5<sup>th</sup> 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, 2019 and 2018, 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, 2019 and 2018, 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 23, 2019, 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 23, 2019, 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 23, 2019

# Metropolitan Wastewater MANAGEMENT COMMISSION



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# **Management's Discussion and Analysis**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Metropolitan Wastewater Management Commission (MWMC), we offer readers of MWMC's financial statements this narrative overview and analysis of the financial activities of MWMC for the fiscal year ended June 30, 2019. Please read it in conjunction with MWMC's basic financial statements, which begin on page 29.

### **Mission**

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

### **Responsibility and Controls**

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

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

### **FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of resources at June 30, 2019 were \$228.1 million and exceeded liabilities by \$177.8 million (i.e. net position). The increase in net position of \$11.3 million was the result of a combination of a rate increase, an increase in interest income and a reduction of interest expense. Of the total net position, \$5.3 million is restricted for capital improvements, \$104.5 million represents net investment in capital assets, \$.4 million for debt service, and \$67.6 million is unrestricted and available for future appropriation.
- Operating revenues for the year were \$34.5 million. This is an increase of 3% from fiscal year 2018 operating revenue of \$33.5 million. Fiscal year 2018 had a 3.4% increase from 2017 increasing from \$32.4 million to \$33.5 million.
- Total operating and maintenance expenses for the year were \$14.2 million and the total administration expenses were \$3.6 million compared to the prior year when expenses

were \$14.6 and \$4.1 million respectively, and 2017 when they were \$13.4 and \$3.5 million respectively.

## **OVERVIEW OF ANNUAL FINANCIAL REPORT**

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

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

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

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the 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, which was closed during fiscal year ended June 30, 2019 as the bond proceeds were all spent. For financial reporting purposes, management considers the activities relating to the operation of wastewater management to be of a unitary nature and they are reported as such. For operational purposes, the accounts of wastewater management are organized on the basis of funds, each of which is considered a separate accounting entity. Supplementary information comparing the budget to actual revenues and expenses is provided.

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

## Financial Analysis

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

### CONDENSED FINANCIAL STATEMENTS Statements of Net Position

	2019	2018	Restated 2017
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Current and other assets	\$ 88,591,275	\$ 91,892,837	\$ 95,657,150
Capital assets, net, where applicable, of accumulated depreciation	<u>137,006,868</u>	<u>130,752,861</u>	<u>118,874,194</u>
Total assets	<u>225,598,143</u>	<u>222,645,698</u>	<u>214,531,344</u>
Deferred outflows of resources	<u>2,544,395</u>	<u>2,890,991</u>	<u>3,237,587</u>
Current liabilities	8,082,665	8,359,544	6,548,006
Long-term liabilities	<u>42,210,347</u>	<u>50,596,591</u>	<u>53,208,828</u>
Total liabilities	<u>50,293,012</u>	<u>58,956,135</u>	<u>59,756,834</u>
Net position:			
Net investment in capital assets	104,491,746	89,130,068	78,268,420
Restricted for capital improvement	5,343,704	5,254,513	4,908,728
Restricted for debt service	435,603	673,246	641,728
Unrestricted	<u>67,578,473</u>	<u>71,522,727</u>	<u>74,193,221</u>
Total net position	<u>\$ 177,849,526</u>	<u>\$ 166,580,554</u>	<u>\$ 158,012,097</u>

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

## Statements of Revenues, Expenses, and Changes in Net Position

	2019	2018	Res tated 2017
Operating revenues	\$ 34,549,302	\$ 33,542,681	\$ 32,405,454
Operations & maintenance	(14,221,359)	(14,628,133)	(13,396,494)
Adminis tration	(3,621,535)	(4,111,570)	(3,467,984)
Depreciation	<u>(8,934,423)</u>	<u>(8,136,965)</u>	<u>(8,256,170)</u>
Operating income	7,771,985	6,666,013	7,284,806
Non-operating revenues (expenses), net (includes capital contributions)	<u>3,496,987</u>	<u>1,902,444</u>	<u>968,802</u>
Change in net position	<u>\$ 11,268,972</u>	<u>\$ 8,568,457</u>	<u>\$ 8,253,608</u>

Operating revenues increased by 3.0% from fiscal year 2018 to 2019 and 3.5% from fiscal year 2017 to 2018. This increase was primarily due to the increases in user fees.

Operations & maintenance expenses decreased by 2.8% overall from fiscal year 2018; the MWMC experienced savings throughout the budget but the most significant difference between 2018 and 2019 is that in 2019, less of the expenses that were budgeted and expended as part of capital projects were found to be operational in nature and so reported as operating costs.

Net non-operating revenues/(expenses) increased from \$1.9 million in fiscal year ending June 30, 2018 to \$3.5 million for the year ending June 30, 2019. This was mainly due to the 61.5% (823K) increase in interest income; a result of higher interest rates and capital expenditures happening slower than expected. Capital contributions increased by \$635K or 34% due to higher SDC revenue indicating a higher rate of development in the region.

### Capital Assets

MWMC's investment in capital assets as of June 30, 2019 was \$137 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 just under 5%. MWMC has added \$15.2 million of assets this year as part of the continuing capital improvement plan in place for the facilities upgrades, offset by \$8.9 million in annual depreciation.

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

- Work was substantially completed on Digestion Capacity Increase, with expenses of \$2.5 million.
- Operations & Maintenance Building Improvements work continued, spending \$7.6 million.
- \$2 million dollars was spent on the Electrical Distribution system project.
- Work continued on the Renewable Natural Gas Upgrade project, with expenses of \$1.2 million in FY19.

**MWMC's Capital Assets**  
(net of depreciation)

	June 30,		
	2019	2018	2017
Land	\$ 8,619,727	\$ 8,619,727	\$ 7,731,550
Construction in progress	14,315,469	24,168,104	6,986,921
Buildings	64,749,060	48,761,550	53,094,898
Machinery and equipment	47,617,010	47,319,038	48,944,985
Other assets	1,705,602	1,884,442	2,115,840
<b>Total</b>	<b><u>\$ 137,006,868</u></b>	<b><u>\$ 130,752,861</u></b>	<b><u>\$ 118,874,194</u></b>

**Debt Administration:**

At the end of the current fiscal year, the MWMC had total bonded debt outstanding (net of unamortized premium) of \$25.2 million, all of which is secured solely by sewer revenue sources. Notes payable were comprised entirely of State Revolving Fund Loans (SRF) which were obtained as additional funding to implement the Facilities Plan at more advantageous interest rates than would result from issuing another revenue bond. In November 2018, two of the five SRF loans were retired, leaving a balance of \$6.8 million as of June 30, 2019.

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

## **Economic Factors and Next Year's Budget and Rates:**

For the year ended June 30, 2019, MWMC approved a 2.5% rate increase that was effective July 1, 2018 (a 3.0% increase was effective July 1, 2017). The new rate resulted in an average residential billing of \$26.49 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 ongoing Capital Improvement Plan. As planned, the MWMC has increased the capital contribution each year with the savings in debt service. Additionally, MWMC retired two state revolving fund loans early in FY2018-19, which is projected to result in additional interest savings of \$1.2 million dollars. At their September 2019 meeting, the MWMC Board voted to retire an additional state revolving fund loan in the amount of \$5.3 million.

The FY2019-20 budget reflects a 2% rate increase over the 2019 rates. The rates fund operations, administrative services, debt service, capital contributions, and satisfy bond coverage requirements. The new budget also includes capital contribution of \$15 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  
Comparative Statements of Net Position

	June 30,	
	2019	2018
<b>ASSETS</b>		
Cash and investments		
Unrestricted	\$ 72,524,076	\$ 76,965,124
Restricted	9,167,083	8,294,751
Accounts receivable	77,407	186,272
Intergovernmental receivable, net	5,095,851	4,825,898
Inventory	589,099	524,216
Accrued interest	266,361	156,460
Prepaid expenses	59,174	60,633
Deposits	700,000	700,000
Notes receivable (System Development Charges)	112,224	179,483
Capital assets:		
Land and work in progress	22,935,196	32,787,831
Other capital assets, net of accumulated depreciation	114,071,672	97,965,030
Total assets	225,598,143	222,645,698
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge for debt refunding	2,544,395	2,890,991
<b>LIABILITIES</b>		
Current liabilities:		
Accounts and contracts payable	4,067,848	4,107,571
Other accrued liabilities	43,120	43,894
Interest payable	225,977	259,587
Current portion of notes payable	774,174	1,099,435
Current portion of revenue bonds payable	2,955,000	2,835,000
Unearned revenues	16,546	14,057
Total current liabilities	8,082,665	8,359,544
Long-term liabilities:		
Due to other governments	10,880,004	10,017,242
Notes payable	6,075,168	11,869,224
Revenue bonds payable (net of unamortized premium, and current portion)	25,255,175	28,710,125
Total long-term liabilities	42,210,347	50,596,591
Total liabilities	50,293,012	58,956,135
<b>NET POSITION</b>		
Net investment in capital assets	104,491,746	89,130,068
Restricted for capital improvement	5,343,704	5,254,513
Restricted for debt service	435,603	673,246
Unrestricted	67,578,473	71,522,727
Total net position	\$ 177,849,526	\$ 166,580,554

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,	
	2019	2018
Operating revenues:		
Sewer user fees	\$ 34,422,276	\$ 33,475,730
Other operating receipts	127,026	66,951
Total operating revenues	34,549,302	33,542,681
Operating expenses:		
Operations and maintenance	14,221,359	14,628,133
Administration	3,621,535	4,111,570
Depreciation	8,934,423	8,136,965
Total operating expenses	26,777,317	26,876,668
Operating income	7,771,985	6,666,013
Non-operating revenues (expenses):		
Interest income	2,160,534	1,337,547
Interest expense	(1,255,701)	(1,479,778)
Lease income	59,810	55,764
Gain (loss) on disposal of capital assets	(9,269)	2,108
Miscellaneous revenue	40,421	121,107
Total non-operating revenues (expenses)	995,795	36,748
Income before contributions	8,767,780	6,702,761
Capital contributions	2,501,192	1,865,696
Change in net position	11,268,972	8,568,457
Net position, beginning of year	166,580,554	158,012,097
Net position, end of year	\$177,849,526	\$ 166,580,554

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,	
	2019	2018
Cash flows from operating activities:		
Cash received from customers	\$ 34,261,188	\$ 33,211,822
Cash paid to other governments	(10,260,454)	(10,460,345)
Cash paid to suppliers for goods and services	(6,823,599)	(4,768,324)
Other operating receipts	129,515	66,998
	17,306,650	18,050,151
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(15,171,279)	(19,917,795)
Proceeds from sale of capital assets	14,001	25,378
Proceeds of capital contributions	2,501,192	1,865,696
Principal paid on notes payable	(6,119,317)	(1,077,926)
Principal paid on revenue bonds payable	(2,988,354)	(2,878,353)
Interest payments	(1,289,311)	(1,501,730)
	(23,053,068)	(23,484,730)
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Interest received	2,050,633	1,354,276
Notes receivable issued	(112,786)	(61,711)
Cash received on notes receivable	180,045	101,775
Lease income	59,810	55,764
	2,177,702	1,450,104
Net cash provided by investing activities		
Net increase (decrease) in cash and investments	(3,568,716)	(3,984,475)
Cash and investments, beginning of year	85,259,875	89,244,350
Cash and investments, end of year	\$ 81,691,159	\$ 85,259,875
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,771,985	\$ 6,666,013
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,934,423	8,136,965
Changes in assets and liabilities:		
Intergovernment receivable	(269,953)	(221,968)
Other accounts receivable	108,865	(41,940)
Prepaid expenses	1,459	(23,768)
Accounts and contracts payable	(39,723)	1,701,520
Due to other governments	861,988	1,822,561
Inventory	(64,883)	10,721
Unearned revenue	2,489	47
	17,306,650	18,050,151
Net cash provided by operating activities	\$ 17,306,650	\$ 18,050,151

The accompanying notes are an integral part of these statements.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Reporting Entity

These financial statements include all funds, organizations, departments, and offices that are not legally separate from the MWMC.

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

Basis of Accounting

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

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

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

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

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Cash and Investments

MWMC participates in a cash and investment pool maintained by the City of Springfield. The amount reported as cash and investments is the MWMC share of the total City of Springfield cash and investment pool. As of June 30, 2019, MWMC does not maintain investments separate from the investment pools.

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

Fair Value Measurements

Investments are stated at fair value.

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

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

Intergovernmental Receivable

The municipal water utilities for the Cities of Eugene and Springfield bill and collect sewer user fees. The collected amounts are due to the MWMC. Accordingly, MWMC records the amounts due from the local water utilities as its intergovernmental receivable. 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 the MWMC's practice to use restricted resources first, when applicable, then unrestricted resources as they are needed.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Capital Assets

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

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

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

Plant and buildings	10 – 50 years
Machinery and equipment	1 – 50 years

Accumulated Unpaid Vacation, Sick Pay and Other Benefit Amounts

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

Long-term Debt

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

Use of Estimates

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

Risk Management

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

New Accounting Pronouncements

During the fiscal year ended June 30, 2019, the MWMC implemented the following GASB pronouncements:

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

- *GASB Statement No. 83 – Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. There was no effect to the Commission's financial statements as a result of implementing this pronouncement.
- *GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve consistency in the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The adoption of Statement No. 88 resulted in the MWMC disclosing additional information about its Clean Water State Revolving Fund loans.

**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, 2019 for operation and maintenance costs incurred by the City of Eugene is \$1,925,496 (\$1,047,040 for 2018). The total costs charged to MWMC for the year ended June 30, 2019 were \$14,221,359 (\$14,628,133 for 2018). 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, 2019 and 2018 were \$3,621,535 and \$4,111,570 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, 2019 was \$819,249 (\$809,364 for 2018).

MWMC has no employees of its own. All personnel costs reflected are related to the employees of the cities of Eugene and Springfield contracted to do the work of MWMC. In addition to the post-employment benefit liability referenced above, MWMC has recorded an interagency payable to the respective cities for the compensated absences of \$722,690 (\$707,384 for 2018), and the net pension liability of \$9,338,064 (\$8,500,494 for 2018) computed for those employees. The total interagency payable due to the cities of Eugene and Springfield is \$10,880,003 (\$10,017,242 for 2018).

**NOTE C – COMMITMENTS AND CONTINGENCIES**

At June 30, 2019, MWMC was obligated by contracts for uncompleted construction projects for \$8,289,884. At June 30, 2018, the obligation on contracts for capital improvement projects was \$13,165,267.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**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, 2019, MWMC adopted several transfer resolutions and supplemental budgets increasing expenditures by \$5,716,444. This was funded by a combination of reserve reductions and adjustments to beginning cash - carrying forward budget planned, but not spent at the end of FY 2018.

**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.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE E – RESTRICTED CASH AND INVESTMENTS - continued**

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:

	2019	2018
Construction funds	\$ -	\$ 35,067
State Revolving Fund loan reserves	435,603	673,246
System development charge reserves	5,231,480	5,071,438
Investments for bond principal and interest	2,000,000	2,000,000
Insurance reserve	1,500,000	515,000
Total restricted cash and investments	\$ 9,167,083	\$ 8,294,751

**NOTE F – CAPITAL ASSETS**

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

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

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE F – CAPITAL ASSETS - continued**

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>

**NOTE G – REBATABLE ARBITRAGE**

On May 3, 2016 MWMC issued \$32,725,000 in revenue bonds. Interest earnings on unspent bond proceeds can result in an arbitrage rebate due to the federal government. Arbitrage regulations require that the first installment date computation be made at five years from the delivery date. The rebate is required to be made within 60 days of the calculation. MWMC's liability is estimated at zero as of June 30, 2019.

**NOTE H – LONG TERM DEBT**

Revenue Bonds

MWMC issued \$32,725,000 in 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 \$2,544,395 unamortized as of June 30, 2019. There are no longer specific reserves required by the bond covenants.

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE H – LONG TERM DEBT - continued**

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

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

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 Due in current year	4,170,125 (2,835,000)	
						Total revenue bonds payable	<u>\$ 28,710,125</u>	

Maturities of bond principal and interest are as follows:

Fiscal Year	Principal	Interest
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	3,590,000	419,750
2025-2027	<u>8,250,000</u>	<u>369,000</u>
Total	<u>\$ 24,540,000</u>	<u>\$ 4,119,975</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE H – LONG TERM DEBT - Continued**

Notes Payable

Between 2009 and 2011 the MWMC entered into several Notes Payable with the Oregon Department of Environmental Quality (DEQ). These Notes were direct placements. All three of the remaining Notes contained restrictive provisions related to activities during the construction period; however for all three the construction period was completed prior to the fiscal year ended June 30, 2019. All three Notes are "Revenue Secured Loans" and the DEQ was granted a security interest in the MWMC's Net Revenues. Other provisions are identical for the three Notes and include: notes are subordinate to Revenue Bonds in existence at the time the Note was taken and possibly to future Revenue Bonds subject to the Master Declaration, there are no prepayment penalties, the Notes are subject to a late payment fee of 5% of the late payment, the MWMC must maintain a loan reserve set by the DEQ, and the MWMC must meet and report annually on Debt Service Coverage ratio of 105% of that fiscal year's debt service payments. If there is an event of default which remains uncured, the DEQ may declare the outstanding loan amount plus unpaid accrued interest and fees to be due immediately. The DEQ may also: appoint a receiver at the MWMC's expense, set and collect utility rates, direct the State Treasurer of the State of Oregon to withhold any amounts otherwise due to the MWMC. To date, the MWMC has complied with all of the Note provisions and there have been no events of default.

At June 30, 2019, notes payable are as follows:

Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, zero interest, due 2030.	\$ 1,100,000
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 2.44%, due 2030.	5,314,777
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments, including interest at 1.25%, due 2030.	<u>434,565</u>
Total	<u>\$ 6,849,342</u>

METROPOLITAN WASTEWATER MANAGEMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE H – LONG TERM DEBT - Continued**

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

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

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

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

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

Fiscal Year	Principal	Interest
2020	\$ 774,174	\$ 137,126
2021	640,287	123,545
2022	504,521	112,441
2023	514,451	102,011
2024	524,626	91,336
2025-2029	2,784,704	284,606
Thereafter	1,106,279	31,345
Total	\$ 6,849,042	\$ 882,410

MWMC maintained a loan reserve of \$435,603 as of June 30, 2019 in accordance with the loan agreements with the Oregon Department of Environmental Quality.

**NOTE I – SUBSEQUENT EVENT**

On September 13, 2019 the Metropolitan Wastewater Management Commission Board voted to retire Clean Water State Revolving Fund loan #68480, with a balance of \$5,314,777 and which was to mature in the year 2031. The debt was paid in full on October 1, 2019.

# Metropolitan Wastewater MANAGEMENT COMMISSION



*partners in wastewater management*

# **Supplementary Information**



Metropolitan Wastewater Management Commission  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

Year Ended June 30, 2019

	Regional Wastewater Fund	Regional Wastewater Capital Fund	Regional Wastewater Bond Capital Fund	Eliminations	Total
<b>Revenues:</b>					
Charges for services	\$ 35,026,786	\$ 110	\$ -	\$ (544,810)	\$ 34,482,086
Investment earnings	321,788	1,838,746	-	-	2,160,534
Intergovernmental revenue	125,980	343	-	-	126,323
Licenses and permits	3	-	-	-	3
Fines and forfeitures	700	-	-	-	700
Miscellaneous receipts	34,656	5,765	-	-	40,421
<b>Total revenues</b>	<b>35,509,913</b>	<b>1,844,964</b>	<b>-</b>	<b>(544,810)</b>	<b>36,810,067</b>
<b>Expenses:</b>					
<b>Current operating:</b>					
Finance	134,734	-	-	-	134,734
Development and public works	18,252,454	516	-	(544,810)	17,708,160
Debt service:					
Interest and premium amortization	1,409,054	(153,353)	-	-	1,255,701
Depreciation	8,934,423	-	-	-	8,934,423
<b>Total expenses</b>	<b>28,730,665</b>	<b>(152,837)</b>	<b>-</b>	<b>(544,810)</b>	<b>28,033,018</b>
Excess of revenues over (under) expenses	6,779,248	1,997,801	-	-	8,777,049
<b>Other financing sources (uses):</b>					
Transfers in	17,610,664	18,969,499	28,643,891	(65,224,054)	-
Transfers out	(18,934,432)	(46,254,555)	(35,067)	65,224,054	-
Capital contributions	(77,580)	2,578,772	-	-	2,501,192
Loss on disposal of capital assets	(9,269)	-	-	-	(9,269)
<b>Total other financing sources (uses)</b>	<b>(1,410,617)</b>	<b>(24,706,284)</b>	<b>28,608,824</b>	<b>-</b>	<b>2,491,923</b>
Change in net position	5,368,631	(22,708,483)	28,608,824	-	11,268,972
Net position, beginning of year	137,073,791	58,115,587	(28,608,824)	-	166,580,554
<b>Net position, end of year</b>	<b>\$ 142,442,422</b>	<b>\$ 35,407,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,849,526</b>

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, 2019

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
<b>Revenues:</b>						
Charges for services	\$ 34,107,000	\$ 34,107,000	\$ 34,925,042	\$ 818,042	\$ 101,744	\$ 35,026,786
Investment earnings	150,000	150,000	316,152	166,152	5,636	321,788
Intergovernmental revenue	-	-	-	-	125,980	125,980
Licenses and permits	9,510	9,510	1,315	(8,195)	(1,312)	3
Fines and forfeitures	600	600	700	100	-	700
Miscellaneous revenue	700,000	700,000	105,431	(594,569)	(70,775)	34,656
<b>Total revenues</b>	<b>34,967,110</b>	<b>34,967,110</b>	<b>35,348,640</b>	<b>381,530</b>	<b>161,273</b>	<b>35,509,913</b>
<b>Expenses:</b>						
<b>Current operating:</b>						
Finance	155,932	155,932	134,734	21,198	-	134,734
Development and public works	17,959,487	18,143,937	17,105,825	1,038,112	1,146,629	18,252,454
<b>Debt service:</b>						
Principal	3,934,441	3,934,441	3,934,432	9	(3,934,432)	-
Interest	1,518,369	1,518,369	1,442,664	75,705	(33,610)	1,409,054
Depreciation	-	-	-	-	8,934,423	8,934,423
<b>Total expenses</b>	<b>23,568,229</b>	<b>23,752,679</b>	<b>22,617,655</b>	<b>1,135,024</b>	<b>6,113,010</b>	<b>28,730,665</b>
<b>Excess of revenues over (under) expenses</b>	<b>11,398,881</b>	<b>11,214,431</b>	<b>12,730,985</b>	<b>1,516,554</b>	<b>(5,951,737)</b>	<b>6,779,248</b>
<b>Other financing sources (uses):</b>						
Transfers in	2,022,845	2,022,845	2,022,845	-	15,587,819	17,610,664
Transfers out	(15,000,000)	(15,000,000)	(15,000,000)	-	(3,934,432)	(18,934,432)
Capital contributions	-	-	-	-	(77,580)	(77,580)
Gain (loss) on disposal of assets	-	-	25,378	25,378	(34,647)	(9,269)
<b>Total other financing sources (uses)</b>	<b>(12,977,155)</b>	<b>(12,977,155)</b>	<b>(12,951,777)</b>	<b>25,378</b>	<b>11,541,160</b>	<b>(1,410,617)</b>
<b>Change in net position</b>	<b>(1,578,274)</b>	<b>(1,762,724)</b>	<b>(220,792)</b>	<b>1,541,932</b>	<b>5,589,423</b>	<b>5,368,631</b>
Net position, beginning of year	11,581,093	13,363,149	13,363,149	-	123,710,642	137,073,791
<b>Net position, end of year</b>	<b>\$ 10,002,819</b>	<b>\$ 11,600,425</b>	<b>\$ 13,142,357</b>	<b>\$ 1,541,932</b>	<b>\$ 129,300,065</b>	<b>\$ 142,442,422</b>

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, 2019

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
<b>Revenues:</b>						
Charges for services	\$ -	\$ -	\$ 110	\$ 110	\$ -	\$ 110
Investment earnings	541,000	541,000	1,759,831	1,218,831	78,915	1,838,746
Intergovernmental revenue	10	10	343	333	-	343
Miscellaneous receipts	5,000	5,000	5,756	756	9	5,765
<b>Total revenues</b>	<b>546,010</b>	<b>546,010</b>	<b>1,766,040</b>	<b>1,220,030</b>	<b>78,924</b>	<b>1,844,964</b>
<b>Expenses:</b>						
<b>Current operating:</b>						
Development and public works	2,028,000	2,566,300	1,045,644	1,520,656	(1,045,128)	516
Capital projects	31,076,000	34,469,611	14,542,691	19,926,920	(14,542,691)	-
<b>Debt service:</b>						
Interest	-	-	-	-	(153,353)	(153,353)
Principal	-	5,019,885	5,019,885	-	(5,019,885)	-
<b>Total expenses</b>	<b>33,104,000</b>	<b>42,055,796</b>	<b>20,608,220</b>	<b>21,447,576</b>	<b>(20,761,057)</b>	<b>(152,837)</b>
<b>Excess of revenues over (under) expenses</b>	<b>(32,557,990)</b>	<b>(41,509,786)</b>	<b>(18,842,180)</b>	<b>22,667,606</b>	<b>20,839,981</b>	<b>1,997,801</b>
<b>Other financing sources (uses):</b>						
Transfers in	15,000,000	15,035,067	15,035,067	-	3,934,432	18,969,499
Transfers out	(2,022,845)	(2,022,845)	(2,022,845)	-	(44,231,710)	(46,254,555)
Capital contributions	1,735,000	1,735,000	2,183,333	448,333	395,439	2,578,772
<b>Total other financing sources (uses)</b>	<b>14,712,155</b>	<b>14,747,222</b>	<b>15,195,555</b>	<b>448,333</b>	<b>(39,901,839)</b>	<b>(24,706,284)</b>
<b>Change in net position</b>	<b>(17,845,835)</b>	<b>(26,762,564)</b>	<b>(3,646,625)</b>	<b>23,115,939</b>	<b>(19,061,858)</b>	<b>(22,708,483)</b>
<b>Net position, beginning of year</b>	<b>67,493,650</b>	<b>71,420,905</b>	<b>71,420,905</b>	<b>-</b>	<b>(13,305,318)</b>	<b>58,115,587</b>
<b>Net position, end of year</b>	<b>\$ 49,647,815</b>	<b>\$ 44,658,341</b>	<b>\$ 67,774,280</b>	<b>\$ 23,115,939</b>	<b>\$ (32,367,176)</b>	<b>\$ 35,407,104</b>

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, 2019

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Investment earnings	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenses	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	28,643,891	28,643,891
Transfers out	<u>-</u>	<u>(35,067)</u>	<u>(35,067)</u>	<u>-</u>	<u>-</u>	<u>(35,067)</u>
Total other financing sources (uses)	<u>-</u>	<u>(35,067)</u>	<u>(35,067)</u>	<u>-</u>	<u>28,643,891</u>	<u>28,608,824</u>
Change in net position	5,000	(35,067)	(35,067)	-	28,643,891	28,608,824
Net position, beginning of year	<u>58,001</u>	<u>35,067</u>	<u>35,067</u>	<u>-</u>	<u>(28,643,891)</u>	<u>(28,608,824)</u>
Net position, end of year	<u>\$ 63,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# **Compliance Section**





## 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 5<sup>th</sup> 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, 2019 and 2018, and have issued our report thereon dated December 23, 2019.

#### ***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 23, 2019



## GROVE, MUELLER & SWANK, P.C.

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

Governing Board  
Metropolitan Wastewater Management Commission  
225 5<sup>th</sup> 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, 2019, and the related notes to the financial statements, which collectively comprise MWMC's basic financial statements, and have issued our report thereon dated December 23, 2019.

#### ***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 23, 2019