

Springfield
Water and Sewer Commission
Springfield, Massachusetts



Comprehensive Annual
Financial Report

For the Fiscal Year Ended June 30, 2014

SPRINGFIELD WATER AND SEWER COMMISSION

Springfield, Massachusetts

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014



COMMISSIONERS

Daniel Rodríguez, Chair
William Leonard
Vanessa Otero

Katherine J. Pedersen
Executive Director

Anthony J. Basile
Comptroller

Domenic P. Pellegrino
Finance Director

Prepared by Financial Group

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**SPRINGFIELD WATER
AND SEWER COMMISSION**

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October 31, 2014

Springfield Water and
Sewer Commission
PO Box 995
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To the Customers and Board of Commissioners of the
Springfield Water and Sewer Commission

It is our pleasure to submit the Springfield Water and Sewer Commission's Comprehensive Annual Financial Report for the year ending June 30, 2014. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Commission's management. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of Commission operations. Disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The Commission was created by an Act of the Massachusetts Legislature that requires an annual audit by independent certified public accountants. The Commission's Board selected the independent audit firm of Melanson Heath to perform an audit of the Commission's books for fiscal year ended June 30, 2014.

The Management's Discussion and Analysis (MD&A) follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

The Commission is required to assess whether an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations needs to be performed. In accordance with OMB Circular A-133, a Single Audit was not necessary because the Commission's federal expenditures were below \$500,000.

In June, 2014, based on solid financial operations and an adequate water supply to meet future demands and willingness to adjust rates to fund necessary capital improvements, the Standard & Poor's Ratings Services assigned the Commission a long-term rating upgrade of "AA- Stable" at the time of its sale of general revenue bonds. This bond rating realizes lower financing costs and a smaller burden on the rate-payers in Springfield and the surrounding towns.

ABOUT THE COMMISSION

The Commission was created by an Act of the Massachusetts Legislature adopted by the Springfield City Council in April 1996. The adoption of the Act merged the functions and responsibilities of the Springfield Municipal Water Department and the Regional and Local Wastewater Divisions of the City's Department of Public Works into one Commission. A three-member board, appointed by the Mayor and approved by the City Council, is the governing body of the Commission. The ownership and operation of the water and sewer system was transferred to the Commission in June 1996.

The Commission has authority to independently set its rates and charges. These rates and charges are set at a level and amount sufficient to meet the Commission's financial obligations including, but not limited to, operating expenses, debt service on all outstanding bonds, and any reserve requirements specified in bond resolutions.

WATER SYSTEM

History of Springfield's Water Supply

The Springfield water system dates back to 1848 when the Springfield Aqueduct Company was formed. In 1863, the City of Springfield began to investigate new water supplies. In 1872, the City purchased the Springfield Aqueduct Company and began to develop the Ludlow Reservoir by purchasing all the land surrounding the reservoir site. In November 1875, the 1.71-billion gallon Ludlow Reservoir became the City's primary water supply.

In 1910 construction of the Borden Brook Reservoir (2.5 billion gallons) was completed and this became the City's primary supply. The Ludlow Reservoir continued to be the primary supply for Ludlow and a secondary supply for Springfield. Borden Brook Reservoir continued to serve as Springfield's primary supply until 1931, when Cobble Mountain Reservoir was constructed, and this 22.8-billion gallon reservoir has been the City of Springfield's primary supply source ever since. Borden Brook Reservoir is still an active supply source and feeds into the Cobble Mountain Reservoir. In 1994 Cobble Mountain Reservoir became the primary water supply for the Town of Ludlow. The Ludlow Reservoir is maintained as an emergency supply source.

Treatment

Water flows from the Cobble Mountain Reservoir to the West Parish Water Filtration Plant in Westfield, where it is filtered and treated to protect public health. The filtration process removes particles and impurities from the water. Then, the pH of the water is adjusted and corrosion inhibitors are added to protect home plumbing. Finally, chlorine is added to disinfect the water before it flows out into the distribution system for delivery to our customers.

More than 51,000 water quality tests are conducted annually to ensure that the water produced is safe. The Commission's State certified laboratory analyzes water samples daily. Private certified laboratories are also utilized to assure that the water meets or is better than all State and Federal standards and requirements.



Storage

After leaving the West Parish Water Filtration Plant, the water travels through three transmission mains to our four storage tanks located on Provin Mountain in Agawam. The four tanks have a total storage capacity of 60 million gallons.



Distribution

Water flows by gravity from the Provin Mountain storage tanks to the majority of the Springfield and Ludlow system. However, the Commission has several pump stations, which provide increased pressure to some of the higher elevation areas in the City or during periods of high demand.

The Springfield Water and Sewer Commission is responsible for your drinking water from the source through treatment and storage to distribution to your tap. In addition to serving the residents of Springfield and Ludlow, the Commission also provides wholesale water to the communities of Agawam, East Longmeadow, and Longmeadow and provides partial service or peak service to Southwick, Westfield, and West Springfield. The Commission can also provide water on an emergency basis to Chicopee and Wilbraham.

POWER GENERATION

The Commission owns Cobble Mountain Hydro-Power Station which is located in the Town of Granville, Massachusetts. The Station utilizes stored water head for potential energy at the Cobble Mountain Reservoir Dam to generate green power while water is conveyed to the Commission's West Parish Water Filtration Plant. The generated power is transferred and sold to ISO New England electricity market. The Plant can produce up to 33 Megawatt-hours at full capacity through three turbine generators; two rated at 13.6 Megawatts and one at 5.7 Megawatts. In FY 2014, the plant output was 16,900 Megawatts. The Commission controls and limits the amounts of water available for power generation to ensure safe-yield water storage under various seasonal conditions and drought scenarios.



The Commission is currently in a five-year agreement with the City of Holyoke Gas & Electric Department (HG&E) to manage, operate and maintain (O&M) the Station, expiring June 30, 2016. The Commission has also entered into a separate five-year parallel agreement with HG&E to provide marketing agency and facilitation of power sales into the ISO-New England market.

HG&E is compensated for its O&M expenses which include routine maintenance work, and is reimbursed for major maintenance work approved by the Commission, and for support work on Capital Projects as assigned by the Commission. HG&E is also paid a flat monthly fee with a maximum annual cap for the marketing and facilitating of power sales. Historically, the Commission has received annual net income from the power station and anticipates continuing to receive net income during the five year term of these agreements.

The Power Plant generates enough green power annually to meet the power supply needs of approximately 25,000 homes.

SEWER SYSTEM

Wastewater Collection

The Springfield Water and Sewer Commission services approximately 36,400 sewer accounts. The sewer collection consists of 138 miles of combined sewer (sewer and stormwater pipe), 312 miles of separated sewer pipe, 23 combined sewer overflow outfalls, 12,000 manholes, and 33 pumping stations. Wastewater is conveyed to the Springfield Regional Wastewater Treatment Facility (SRWTF) located on Bondi's Island off Route 5 in Agawam, MA.

Wastewater Treatment



The SRWTF treats wastewater from the households, businesses, and industries within Springfield and surrounding member communities, including Agawam, East Longmeadow, Longmeadow, Ludlow, Wilbraham, West Springfield, and a small section of Chicopee. The SRWTF is designed to treat up to 67 million gallons of wastewater per day. Currently, a daily average of 44 million gallons of wastewater is cleaned,

treated, and returned to the Connecticut River. The SRWTF is the second largest treatment facility in New England.



The SRWTF is owned by the Commission and is currently operated and maintained by United Water under a twenty-year Service Agreement with the Commission expiring October 1, 2020. Treatment consists of two major steps: primary treatment and secondary treatment. During the primary treatment stage, sand, grit, and solids are removed from the untreated sewage. The secondary treatment phase uses bacteria to further break down the dissolved solids, which produces sludge. The treated wastewater is then separated from the sludge and cleaned and disinfected before being released into the Connecticut River in compliance with the facility's National Pollution Discharge Elimination System (NPDES) permit issued by the U.S. EPA and MA DEP. United Water is responsible for the biological treatment, disinfection and chlorination of the wastewater that flows through the plant.

Effluent flow to the Connecticut River is tested and monitored daily at the facility's on-site State certified testing laboratory to ensure that required permit limitations are not exceeded and the water can be discharged safely to the Connecticut River without harming the environment. The solids, or sludge, resulting from the treatment process are trucked to Municipal Solid Waste Landfills for disposal.

Bondi's Island - The History Behind the Name



From his native Italy, Luigi Bondi came to Springfield with his wife and children in the late 1800's. With a successful venture in the produce business under his belt, he started acquiring land in and around Springfield. He purchased an Island (Bondi's Island) on the Connecticut River in 1889 for \$100. It was common practice in those days to measure real estate in approximations to local landmarks; unfortunately landmarks change as time goes on so it is not known for certain where the original Bondi's Island lies. Speculation and local lore has the Island under the west end of the memorial bridge. So why is the Springfield Regional Wastewater Treatment Facility (SRWTF) nicknamed "Bondi's Island"? Locals have said that Luigi Bondi also purchased land in West Springfield surrounded on three sides by water (the Connecticut and Agawam Rivers). These plots of land are guessed to be what was known as Big Island and Hermit Island. Hermit Island was also known to some as Little Island or Cambell's Island. He had peach trees on the island for his produce business and had plans to make a recreation area one day. As time went

on, the course of the river may have changed or branches may have been filled in or dried up and the two islands became one. This is the plot of land that Luigi was said to have purchased and is the current location of the SRWTF.

The first wastewater treatment plant was built in 1938-39 and at the time, was a state-of-the-art primary treatment plant that contributed greatly to the quality of the Connecticut and Chicopee rivers. However, it was not until 1960 that all the sewage generated in Springfield went to the treatment facility.

In 1968, the land northwest of the treatment plant started being used as a landfill, and by now more of the water being treated at the treatment plant was coming from surrounding communities. As a result of the 1972 Clean Water Act and increased demand being placed on the treatment plant, a new state-of-the-art regional secondary wastewater treatment facility (the SRWTF) was put online in 1977.

Since 1988, five other waste management facilities have been established on Bondi's Island. This is a far cry from the recreational park Luigi Bondi had envisioned a century ago, but it is hoped he would advocate the use of his land as a center of environmental protection.

MANAGEMENT OBJECTIVES

It is the Commission's objective to provide an adequate, uninterrupted, high quality supply of water to our customers, to collect and treat wastewater, and return clean water to the environment.

While fulfilling our objectives the Commission strives to:

- Conserve and protect our reliable, high quality water supply for present and future generations,
- Meet or surpass public health standards, environmental standards, and support fire protection,
- Operate, maintain, improve, and manage our water and wastewater infrastructure in a cost efficient manner,
- Manage finances to support Commission needs and maintain reasonable water and wastewater rates,
- Maintain a safe, and professional workforce, and
- Understand and respond to customer's expectations for service.

ORGANIZATION

A three-member board, appointed by the Mayor of the City of Springfield and approved by the City Council, governs the Commission. Decisions made by the Commissioners are implemented by the Executive Director and the staff. The following table lists the Commission Members:

<u>Office</u>	<u>Name</u>	<u>Method of Selection</u>	<u>Term Expiration</u>
Chair	Daniel Rodriguez	Appointed by Mayor	June 30, 2017
Commissioner	William E. Leonard	Appointed by Mayor	June 30, 2015
Commissioner	Vanessa Otero	Appointed by Mayor	June 30, 2016

The primary mission of the Board is to ensure the sound economical and efficient operation and maintenance of the systems and to ensure the highest quality services to customers of the Commission. The Board of Commissioners is also responsible for setting clear financial and operational policy directives.

A full-time Executive Director appointed by the Board of Commissioners oversees the Commission's five groups: Administration, Engineering, Water Operations, Wastewater Operations, and the Financial group.

The Administration group is responsible for executive management, strategic planning, public relations, labor relations, human resources, and representing the Commission in all litigation matters.

The Engineering group is responsible for planning, designing, managing and providing contract compliance for the construction of the Commission's capital projects. The group also administers the contract for operation of the power generation plant.

The Water Operations group is responsible for all reservoirs and watersheds, water treatment facilities, water transmission mains and easements, and testing for compliance with water quality regulations. This group is also responsible for all water distribution pipes and appurtenances, pumping stations, valves and hydrants, routine flushing of lines and exercising of valves for sustained water quality, replacement of customer water services, meters and meter readings.

The Wastewater Operations group is responsible for all sewer collection pipes and appurtenances, pumping stations, combined sewer overflows, jetting of lines to maintain flows, industrial pre-treatment programs, fats, oils, and grease programs, and pavement patching. This group is also responsible for oversight of operations at the Regional Wastewater Treatment Facility.

The financial planning and accounting responsibilities are divided between the Finance group and the Comptroller's group to ensure proper internal controls are established and maintained, and there is necessary segregation of duties. Both groups combine to effectively operate and manage the Commission's finances. Rate setting, cash management, customer billing and collection and capital planning are the primary responsibilities of the Finance group. The Comptroller's primary focus is accounting, budget preparation, financial reporting and internal and external audits.

CUSTOMER BASE

The Service Area

The Commission serves a total population of approximately 250,000, or about 94% of the total population within the Commission's service area. Please see Table 11 for a breakdown by types of customers. The Commission's customer base includes residential population, businesses and industries, and various public, private and non-profit institutions in its respective service areas. Information regarding the Municipal Demographics for System Customers is set forth in the Tables found in the Statistical Section of this report.

Water System Customers

The Commission sells water at retail to the populations of Springfield and Ludlow based on metered usage. The Commission sells water based on metered usage to Solutia in accordance with a ten-year contract which commenced on July 1, 2008. Solutia is the largest single consumer of water provided by the Commission. The Commission also sells water to the communities of West Springfield and Westfield during peak demand periods based on metered usage.

The costs of operating the Commission's water supply and transmission systems are allocated to the following communities under wholesale contracts based on a formula which considers each community's consumption with respect to total water output. Five-year contracts with the communities of Agawam,

East Longmeadow and Longmeadow commenced on July 1, 2014. The Town of Southwick's contract was extended for one year expiring on June 30, 2015. All reservoirs, treatment and storage facilities, pump stations and water transmission mains, are owned by the Springfield Water and Sewer Commission. Each wholesale community owns and maintains the water distribution pipes within their borders. The Commission owns all distribution pipes in Springfield and Ludlow.

Sewer System Customers

The operating costs for the Springfield Regional Wastewater Treatment Plant are allocated to the following users under contracts based on a formula which considers each participant's contribution of Flow, Biochemical Oxygen Demand, and Total Suspended Solids. Ten-year contracts with the communities of Agawam, East Longmeadow, Longmeadow, Ludlow, and West Springfield commenced on July 1, 2005. A ten-year contract with the Commission's largest user, Solutia, commenced on February 9, 2005. An eight-year contract with the community of Wilbraham commenced on June 18, 2007. Industrial user, Friendly's Ice Cream, and the community of Chicopee also share about 1.3% of the annual plant operating costs under the same formula.

The share of operating costs attributable to the customers located in the City of Springfield, are billed directly to each account by the Commission as part of the local sewer rate established by the Commission. The Springfield Water and Sewer Commission owns the Springfield Regional Wastewater Treatment Plant, all Wastewater Pump Stations and the respective Collection/Interceptor Pipes, including associated wastewater facilities, within the boundaries of the City of Springfield. All other communities own and maintain the collection systems within their respective borders, and they are responsible for the conveyance pipes to the Regional Wastewater Treatment Plant.

ECONOMY

The City of Springfield is located in western Massachusetts along the banks of the Connecticut River. Springfield is centrally located with Boston 90 miles to the east, Hartford 30 miles south and New York City 150 miles southeast. Springfield is the hub of western Massachusetts. The City is surrounded by its suburbs including Agawam, East Longmeadow, Longmeadow, Ludlow, West Springfield and Wilbraham.

Springfield is the third largest city in the Commonwealth of Massachusetts, behind the cities of Boston and Worcester, is the fourth largest city in New England, and home to 153,060 people.

The City is the region's cultural and economic center. Springfield is home to several of the region's largest employers, including Massachusetts Mutual Life Insurance Company, Baystate Health, Mercy Medical Center, and Solutia, Inc. Major cultural institutions include the Springfield Symphony, City Stage, the MassMutual Center, and the Quadrangle Museums.

Springfield is located in Hampden County which along with Hampshire and Franklin Counties is collectively known as the "Pioneer Valley."

The region's economy is in transition. Manufacturing was once the mainstay of the region's economy, employing more than 29 percent of the workforce in 1980. Like most of the nation, the Pioneer Valley region is experiencing an increasing shift from manufacturing to service sector jobs. Examples of professions in the service sector include healthcare, education, and other industries that focus on customer-provider interaction. From 1990 to 2000, the service sector's share of total private sector jobs grew from 36 to 41 percent and as of 2011, the service sector comprised 54 percent of the private sector. The fastest growing industries were healthcare and social assistance, public administration, and utilities.

Nine hospitals, and 100 clinics or related facilities make healthcare the largest private industry in western Massachusetts and a leading economic driver for the region. Baystate Health, the parent organization of Baystate Medical Center, is a four campus, 800-bed teaching and research facility, as well as the western campus of Tufts University School of Medicine.

Multi-national banks, the Springfield-based operations of the MassMutual Financial Group and Liberty Mutual as well as a dense concentration of insurance giants, all contribute to the region's financial services.

Springfield is headquarters for the MassMutual Financial Group, an industry staple since 1851 that sits among the Fortune 100. MassMutual subsidiary, Babson Capital Management LLC, is an entrepreneurial investment firm also located in Springfield. A more recent addition to the financial services sector in Springfield is Liberty Mutual Insurance Group, the sixth largest personal and car insurance company in the United States. Liberty Mutual located some of its operations into the Springfield Technology Park.

"The Insurance Capital of the World," Hartford Connecticut, is less than 30 minutes from downtown Springfield. Internationally known companies located there include Travelers, Aetna, The Hartford, ING and The Phoenix Companies, Inc.

Banking also plays a major role in the Pioneer Valley. Bank of America, Sovereign Bank, Citizens Bank and TD Bank are the largest of these institutions.

The travel, tourism and hospitality industry plays a tremendous role in Massachusetts' Pioneer Valley. Tourism related employment in western Massachusetts totals nearly 5,000.

The Pioneer Valley tourism industry is boosted by the region's famed attractions, including Six Flags New England, Dr. Seuss National Memorial Sculpture Garden, the Naismith Memorial Basketball Hall of Fame, Yankee Candle Village and the Eric Carle Museum of Picture Book Art. The Valley is also known for unique festivals and fairs including The Big E, Bright Nights at Forest Park, the Paradise City Arts Festival and Holyoke's St. Patrick's Day Parade.

The region offers higher education at many area colleges and universities. The University of Massachusetts, a leading national research university anchors a group of colleges in the region along with Smith, Mount Holyoke and Amherst Colleges. There are eight area schools centered in the Springfield area. These include: American International College, Bay Path College, Elms College, Holyoke Community College, Springfield College, Springfield Technical Community College, Western New England University, and Westfield State University.

Source: 1) Pioneer Valley Planning Commission, 2013 Comprehensive Economic Development Strategy
2) Economic Development Council of Western Massachusetts

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program supports the Commission's mission to provide an adequate, uninterrupted, high quality supply of water to our customers, to collect and treat wastewater, and return clean water to the environment. Capital Projects provide a means to sustain service to our customers by economically rehabilitating or replacing infrastructure, improving efficiency of support systems and meeting regulatory requirements.

In addition to ongoing asset replacement programs including water distribution system valves, fire hydrants, pipes, operating equipment, and meters, the following significant capital improvements are being undertaken to improve infrastructure sustainability and meet regulatory requirements.

Water

- Maintenance of Dam Structures
- Rehabilitation of Ludlow Sand Filter Distribution Structure
- Design and construction of a 54"/48" South Transmission main from Provin Mountain storage facility the Connecticut River
- Water Main Replacement in conjunction with a 21 street sewer rehabilitation project

Wastewater

- Collection System Rehabilitation of 21 prioritized streets
- Major Collection System cleaning, condition assessment and System Mapping
- CSO abatement Project for Washburn Street CSO Regulator
- Design and construction for major Sewer River Crossing Project

Power Generation

- Power Generation System Improvements

Support

- Implementation of an Asset Management Program
- Replacement of Central SCADA System at West Parish Filters
- Design and construction for Equipment Storage Facility

Two sources fund the Commission's Capital Improvement Program as indicated in Table I, Revenues and Reserves and Bonds. Bonding, which will fund 83 % of the three year Capital plan, includes revenue bonds and State Revolving Fund (SRF) loans. Projects, typically funded through Bonds, are large scale projects over \$1M.



Table I

**2015-2017 Capital Improvement Program
Funding Sources**

Funding Source	2015	2016	2017
Revenues and Reserves	\$ 5,138,500	\$ 9,928,000	\$ 8,020,000
Bonds*	31,250,000	16,900,000	67,050,000
Total	\$ 36,388,500	\$ 26,828,000	\$ 75,070,000

*Includes SRF Funding

Table II

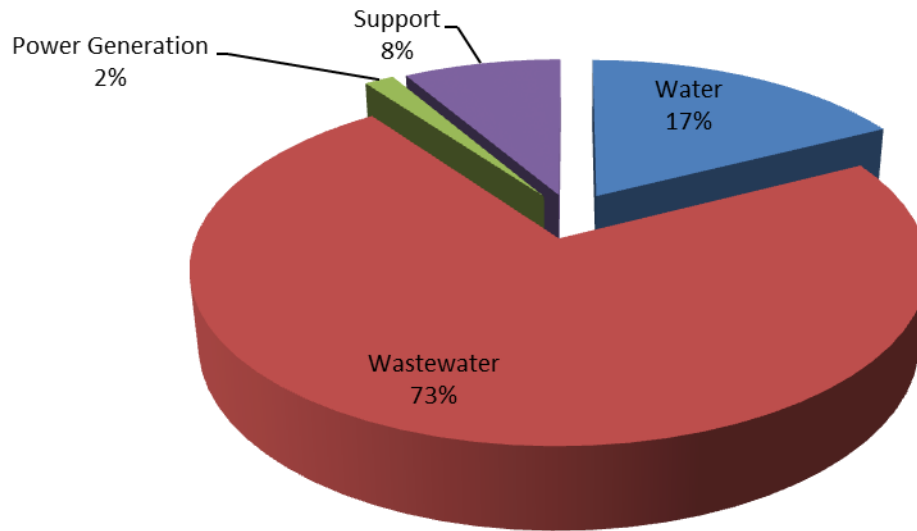
**2015-2017 Capital Improvement Program
Funding of Activity Areas**

Activity Area	<u>2015</u>	<u>2016</u>	<u>2017</u>
Water	\$ 3,568,000	\$ 10,550,000	\$ 10,050,000
Wastewater	30,000,000	8,290,000	61,960,000
Power Generation	-	600,000	1,600,000
Support	2,820,500	7,388,000	1,460,000
Total	\$ 36,388,500	\$ 26,828,000	\$ 75,070,000

Revenues and reserves are generated from wholesale and retail customer revenues, power generation revenues, grants and miscellaneous collected fees. Revenues and reserves typically fund projects less than \$1 million, including planning and design, ongoing asset replacement projects such as fire hydrants, pipe replacement, meter replacement and the replacement of operating equipment.

Over the next three years, Capital expenditures are expected to fund 72% Wastewater improvements, 17% Water improvements, 2% Power Generation projects and 3% Support projects.

2015-2017 Capital Plan



FINANCIAL INFORMATION

Administrative Controls

Internal controls are procedures designed to protect assets from loss, theft, or misuse, to check the accuracy of accounting data, to promote operational efficiency, to facilitate the preparation of financial statements, to satisfy other reporting requirements, and to encourage compliance with managerial policies.

The Commission is responsible for establishing a system of internal controls that provide reasonable assurance that these objectives are met. The concept of reasonable assurance stipulates the cost of a control should not exceed the benefits likely to be derived and that the valuation of cost and benefits requires estimates and judgments by management.

Federal and State financial assistance programs require recipients to comply with a number of laws and regulations. Administrative controls are procedures designed to ensure compliance with the requirements of the programs under which it receives financial assistance.

As with other internal controls, this system is subject to periodic review and evaluation by management or by the Commission's independent auditors.

Long Term Financial Planning

The Springfield Water and Sewer Commission was established under Massachusetts General Laws Chapter 40N. The Commission has the responsibility for the operation and maintenance of the water supply, transmission and distribution systems as well as wastewater collection and treatment which serves the City of Springfield, Town of Ludlow and surrounding communities. In compliance with the General Bond Resolution the Commission is presenting its Capital Expenditure program totaling \$138,286,500 for the three year period 2015-2017. Expenditures are divided in four categories: Water Projects total \$24,168,000, Sewer Projects total \$100,250,000, Power Generation Projects total \$2,200,000 and other Support Projects total \$11,668,500.

Funding approval for the Fiscal Year 2015 Capital Projects total \$36,388,500. The spending plan is as follows: Water Projects total \$3,568,000 (10%), Sewer Projects total \$30,000,000 (82%), and other Support Projects total \$2,820,500 (8%).

The various projects scheduled in fiscal year 2015 include the construction of replacing a six mile 54" Transmission Main, a 21 street water and sewer rehabilitation project, and the repair and replacement of an additional 5,000 feet of sewer and drain pipe. Historically the Commission replaces over 3,000 feet of water distribution pipe per year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Springfield Water and Sewer Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, the Commission had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to express our appreciation to the Financial Group and the Administration's senior staff for compiling the information necessary to complete the Comprehensive Annual Financial Report.

We also give special recognition to the Board of Water and Sewer Commissioners for their continuous support to strive for and maintain the highest standards in the management of the Springfield Water and Sewer Commission finances.

Sincerely,



Katherine J. Pedersen
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Springfield Water and Sewer
Commission, Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

SPRINGFIELD WATER AND SEWER COMMISSION

Commissioners

Daniel Rodriguez, Chair

William E. Leonard

Vanessa Otero

Senior Management

Katherine J. Pedersen, Executive Director

George A. Romano, Jr., Administrative and Field Services Director

Thomas D. LeCourt Drinking Water Operations Director

Robert A. Stoops, P.E. Chief Engineer

Joshua D. Schimmel, Wastewater Operations Director

Anthony J. Basile, Comptroller

Domenic P. Pellegrino, Finance Director

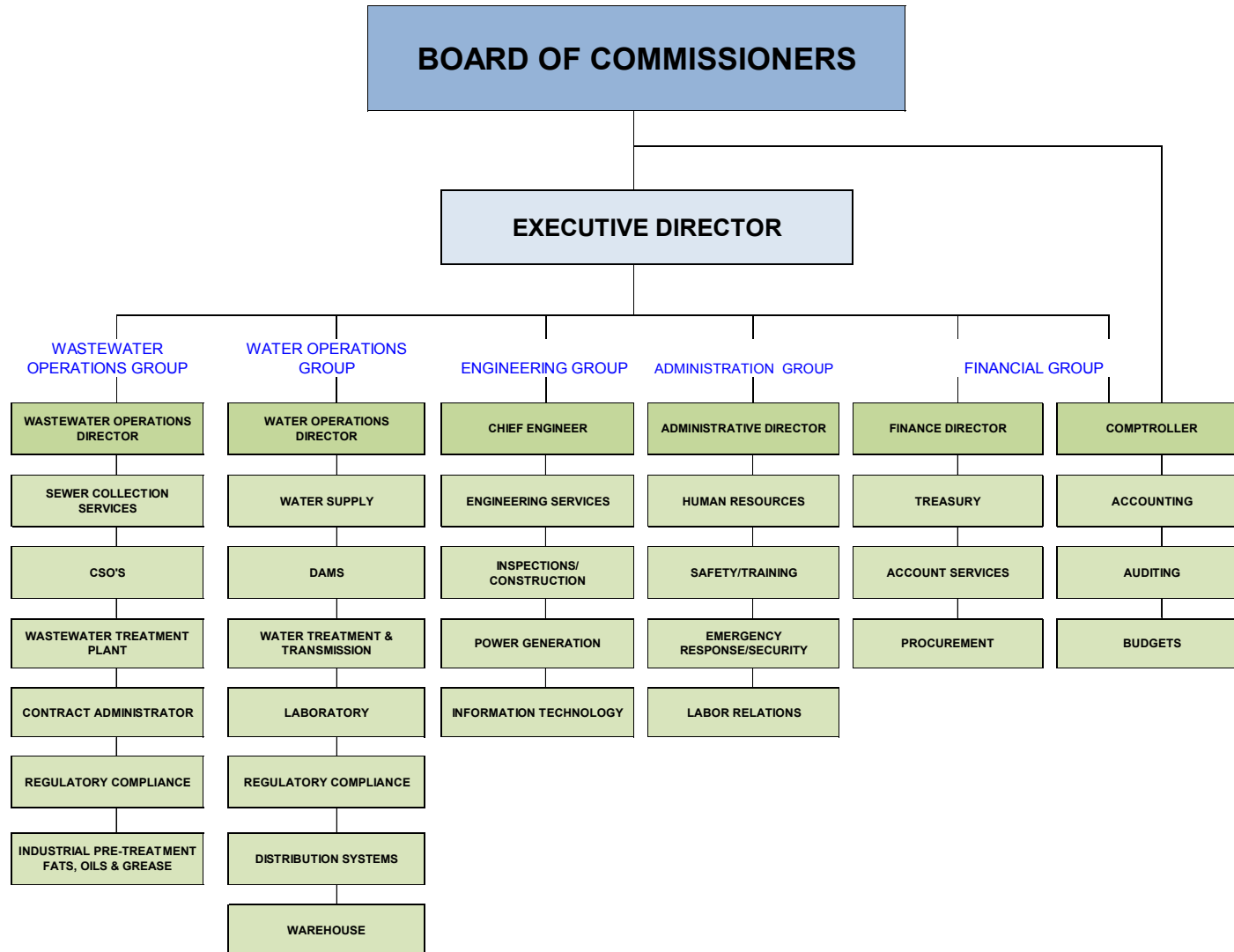
Bruce L. Leiter, J.D., Contract Administrator

Daniel J. Downie, Chief Procurement Officer

Jane Brooks, Laboratory and Regulatory Manager

SPRINGFIELD WATER AND SEWER COMMISSION

Organization Chart



Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Springfield Water and Sewer Commission
Springfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying statement of net position of the Springfield Water and Sewer Commission, as of June 30, 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise Springfield Water and Sewer Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Springfield Water and Sewer Commission's 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. 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 the entity'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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Springfield Water and Sewer Commission, as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

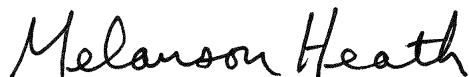
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedules of Funding Progress 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 required supplementary information 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Springfield Water and Sewer Commission's basic financial statements. The supplementary information appearing on pages 42 and 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Springfield Water and Sewer Commission's basic financial statements. The introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



October 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Springfield Water and Sewer Commission, we offer readers this narrative overview and analysis of the financial activities of the Springfield Water and Sewer Commission for the fiscal year ended June 30, 2014.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include (1) the statement of net position, (2) the statement of revenues, expenses and changes in fund net position, (3) the statement of cash flows, and (4) notes to the financial statements.

The statement of net position is designed to indicate our financial position as of a specific point in time. At June 30, 2014, it shows our net worth of \$113,334,230, which is comprised of \$124,060,618 invested in capital assets, \$31,651,795 restricted for other purposes, namely restricted cash and inventory, and \$(42,378,183) unrestricted.

The statement of revenues, expenses and changes in fund net position summarizes our operating results. As discussed in more detail below, our change in fund net position for the year ended June 30, 2014 was a change of \$(4,399,530).

The statement of cash flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period.

B. SUMMARY OF NET POSITION

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 76,587,523	\$ 77,834,890
Noncurrent Assets	3,168,102	3,279,784
Capital Assets	250,215,656	227,306,793
Deferred Outflows	<u>3,485,237</u>	<u>2,424,711</u>
Total Assets and Deferred Outflows	333,456,518	310,846,178
Current Liabilities	13,494,070	13,232,656
Noncurrent Liabilities	131,432,022	119,038,533
Deferred Inflows	<u>75,196,196</u>	<u>60,841,229</u>
Total Liabilities and Deferred Inflows	220,122,288	193,112,418
Net Investment in Capital Assets	124,060,618	104,126,159
Restricted - Other Purposes	31,651,795	31,120,310
Unrestricted	<u>(42,378,183)</u>	<u>(17,512,709)</u>
Total Net Position	<u>\$ 113,334,230</u>	<u>\$ 117,733,760</u>

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$ 64,332,287	\$ 62,227,894
Operating Expenses	<u>(51,890,194)</u>	<u>(49,614,168)</u>
Operating Income	12,442,093	12,613,726
Nonoperating Revenues (Expenses)	(3,656,584)	(3,159,421)
Special Items	<u>(13,185,039)</u>	<u>(6,150,256)</u>
Increase (Decrease) in Net Position	(4,399,530)	3,304,049
Beginning Net Position	<u>117,733,760</u>	<u>114,429,711</u>
Ending Net Position	<u>\$ 113,334,230</u>	<u>\$ 117,733,760</u>

C. **FINANCIAL HIGHLIGHTS**

The Commission ended the year with operating income approximately \$12.4 million. The following paragraphs give an overview of the year's activities.

It has been the practice of the Commission to establish its rates and charges for water and wastewater services at levels sufficient to produce revenues adequate to defray all operation and maintenance expenses, debt service and reserve deposits projected by the Commission's Consulting Engineers and to maintain net revenues available for debt service in excess of the coverage requirements mandated by the General Bond Resolution. Until fiscal year 2010, the Commission had historically adjusted its rates and charges for water and wastewater services on a basis which stabilized rates and charges over a multi-year period. Beginning in fiscal year 2011, the Commission has adopted single-year rate schedules to more closely match revenues to expenditures.

In fiscal year 2014, there was again an increase in collection efforts and an increase in rates, however overall usage was less than anticipated. As a result, wastewater charges revenue and fees were approximately \$(2.2 million) less than budget. Wholesale water charges and fees were also less than budget by approximately \$(1.4 million). Power generation revenues were greater than estimates by approximately \$1.3 million. These and other factors resulted in total operating revenue of approximately \$64.3 million in fiscal year 2014, approximately \$(1.9 million) less than budget, and \$2 million more than the prior year.

Operating expenses were less than budget by approximately \$4 million, primarily as a result of vacant positions and less overtime needed than anticipated. In addition, there was conservative budgeting for general operational expenses and an anticipated increase in energy costs and chemical expenses that did not materialize.

In fiscal year 2014, we continued receiving loan proceeds through the Massachusetts Clean Water Trust (the Trust), which was partially subsidized by Federal funds. In accordance with Trust guidelines, the grant revenue was recognized with the first proceeds and is reflected as nonoperating revenue of \$495,678 on the statement of revenues, expenses and changes in fund net position. Additional grant revenue will be recognized in fiscal year 2015 as these projects continue.

In fiscal year 2011, we implemented FASC 980, *Accounting for the Effects of Certain Types of Regulation*, which essentially adjusts for differences between how revenue / rates are budgeted and how they are accounted for on a Generally Accepted Accounting Principles (GAAP) basis. In

the Commission's case, revenue intended to fund capital asset acquisitions is set aside, (deferred) and is recognized equal to the annual depreciation expense on those assets; depreciation expense on assets funded in other ways (such as through bonds) is removed from the income statement because those costs are not factored into the budget process; conversely, because principal debt repayment costs are funded through the budget, those costs are reflected in the income statement as a reduction to net position. The net effect of these adjustments are reported under the line "Excess revenues to fund deferrals" on the statement of revenues, expenses and changes in fund net position, which was a decrease of \$(13,185,039) for fiscal year 2014.

As a result of the key elements described above the activities for the year resulted in a change in net position of \$(4,399,530).

D. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year end amounted to \$250,215,656 (net of accumulated depreciation), an increase of approximately \$22.9 million from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

- Depreciation expense of \$(7 million).
- \$1.2 million addition under the Chicopee and Connecticut Rivers and other CSO relief projects.
- \$13.6 million in Washburn Street CSO separation.
- \$580,000 in pipe replacement and hydrant projects.
- \$900,000 in meter replacements.
- \$1.6 million in transmission main system rehabilitations.
- \$5.8 million in sewer main rehabilitation.
- Water main project of \$480,000.
- \$500,000 in distribution system rehabilitations.
- \$2.9 million in collection system assessment and rehabilitation.
- New vehicles and equipment purchased of \$1.1 million.
- Computer software and equipment purchases of \$250,000.
- Various general building improvements of \$120,000.
- Land acquisition of \$300,000.
- Various other projects of \$570,000.

Additional information on the Commission's capital assets can be found at Footnote 10 on page 32.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$136,479,114, of which approximately \$400,000 was issued through the City of Springfield and \$136 million was issued under revenue bonds backed by dedicated revenues of the Commission.

Additional information on the Commission's long-term debt can be found at Footnote 11 on page 32.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Springfield Water and Sewer Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Public Communications Director
Springfield Water and Sewer Commission
P.O. Box 995
Springfield, MA 01101-0995

SPRINGFIELD WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Current:

Cash	\$ 30,987,756
Restricted cash	29,670,647
Accounts receivable, net of allowance for uncollectibles	7,453,194
Intergovernmental receivable	7,515,218
Inventory, net of allowance	<u>960,708</u>
Total current assets	76,587,523

Noncurrent:

Intergovernmental receivable, net of current portion	1,650,739
Inventory held by others	1,022,136
Health insurance deposit	495,227
Capital assets, net of accumulated depreciation	158,842,406
Land and construction in progress	<u>91,373,250</u>
Total noncurrent assets	253,383,758

DEFERRED OUTFLOWS OF RESOURCES 3,485,237

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 333,456,518

LIABILITIES

Current:

Accounts payable	3,848,938
Accrued payroll and withholdings	365,019
Accrued interest payable	1,438,771
Current portion of loans payable	7,244,266
Current portion of loans payable (through City of Springfield)	417,046
Current portion of accrued compensated absences	<u>180,030</u>
Total current liabilities	13,494,070

Noncurrent:

Loans payable, net of current portion	128,817,802
Accrued compensated absences, net of current portion	1,201,854
Net OPEB obligation	1,261,063
Other accrued liabilities	<u>151,303</u>
Total noncurrent liabilities	131,432,022

DEFERRED INFLOWS OF RESOURCES 75,196,196

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 220,122,288

NET POSITION

Net investment in capital assets	124,060,618
Restricted:	
Reserve for inventory	1,982,844
Reserve for debt covenants and scholarships	29,668,951
Unrestricted	<u>(42,378,183)</u>
TOTAL NET POSITION	<u>\$ 113,334,230</u>

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenues:	
Water and sewer usage	\$ 63,889,847
Other	<u>442,440</u>
Total Operating Revenues	64,332,287
Operating Expenses:	
Salaries and wages	12,897,208
Employee benefits	7,708,445
Operations	21,677,024
Intergovernmental	519,315
Capital outlay	1,384,494
Depreciation and amortization	7,142,654
Other	<u>561,054</u>
Total Operating Expenses	<u>51,890,194</u>
Operating Income	12,442,093
Nonoperating Revenues (Expenses):	
Interest income	13,709
Interest expense	(4,331,542)
Grant reimbursement revenue	<u>661,249</u>
Total Nonoperating Revenues (Expenses), Net	<u>(3,656,584)</u>
Excess revenues before deferral adjustments	8,785,509
Excess revenues used to fund deferrals	<u>(13,185,039)</u>
Change in Net Position	(4,399,530)
Net Position at Beginning of Year	<u>117,733,760</u>
Net Position at End of Year	<u>\$ 113,334,230</u>

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 64,841,611
Payments to vendors and employees	<u>(44,409,726)</u>
Net Cash Provided By Operating Activities	20,431,885
 <u>Cash Flows From Noncapital Financing Activities:</u>	
Intergovernmental reimbursements	278,397
 <u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(29,951,758)
Proceeds from intergovernmental loans and grants	13,932,721
Principal payments on bonds and loans	(6,577,835)
Payments of interest	<u>(4,331,795)</u>
Net Cash (Used For) Capital and Related Financing Activities	(26,928,667)
 <u>Cash Flows From Investing Activities:</u>	
Receipt of investment income	<u>13,709</u>
Net Change in Cash and Short-Term Investments	(6,204,676)
Cash and Short Term Investments, Beginning of Year	<u>66,863,079</u>
Cash and Short Term Investments, End of Year	<u>\$ 60,658,403</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 12,442,093
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization	7,142,654
Changes in assets and liabilities:	
Accounts receivable	627,157
Inventory	42,250
Accounts payable and accrued payroll	(992,197)
Accrued compensated absences	48,823
Net OPEB obligation	1,261,063
Other accrued liabilities	<u>(139,958)</u>
Net Cash Provided By Operating Activities	<u>\$ 20,431,885</u>

The accompanying notes are an integral part of these financial statements.

Springfield Water and Sewer Commission

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Springfield Water and Sewer Commission (the Commission) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Business Entity

The Commission has the responsibility to provide water and wastewater services on a fair and equitable basis to the City of Springfield (the City) and to provide wholesale water and regional wastewater services to other participating communities.

B. Regulation and Basis of Accounting

The Springfield Water and Sewer Commission (the Commission) was created in July 1996 under Massachusetts General Laws Chapter 40N; however, the Commission did not become a separate accounting entity until July 1997. Under Massachusetts General Laws Chapter 40N, the Board of Commissioners, appointed by the Mayor of the City of Springfield, establishes policies for accounting and other matters. The Board regulates the rates that the Commission can charge its customers for water and sewer usage. The rates charged to customers are based on the cash required for the Commission's operations, debt service and reserve contributions.

To comply with the external financial reporting requirements of the Board, the accompanying financial statements are presented on a basis that is consistent with generally accepted accounting principles (GAAP) for proprietary (enterprise) funds.

To accommodate the rate-making process, the Commission follows the accounting standards set forth in Governmental Accounting Standards Board Statement No. 62 ("GASB 62"), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 allows certain board approved (a) revenues provided for future allowable costs to be deferred until the costs are actually incurred (deferred inflows) and (b) costs incurred to be capitalized if future recovery is reasonably assured (deferred outflows).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Short-Term Investments

For purposes of the statement of cash flows, the Commission considers investments with original maturities of three months or less to be cash equivalents. These are reflected in the following accounts reported on the statement of net position: cash and restricted cash.

D. Inventory for Consumption

Gasoline and diesel fuel purchased and unused at year end is stated at cost, and materials inventory is stated on the first-in/first-out basis.

E. Inventory Held by Others

Under the terms of a privatization agreement with United Water Environmental Services, Inc., the Commission transferred custody of certain inventory to United Water. The value stated was a negotiated value, which will be replaced by United Water at the expiration of the privatization contract in October 2020.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are defined by the Commission as assets with an initial individual cost of more than \$5,000 (for land, vehicles and equipment), \$10,000 (for buildings and improvements) and \$20,000 (for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets would be included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	20 - 50
Water/sewer Infrastructure	50 - 100
Vehicles	5 - 15
Office and computer equipment	5 - 10

G. Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred. Sick pay benefits are payable upon death or retirement, with certain limits, for all employees employed over six months.

H. Net Position

Net position represents the difference between assets/ deferred outflows and liabilities/ deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

I. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

Budgetary Information

At the June meeting of the Commission, the Commissioners review and approve an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The original budget may be amended during the fiscal year at Commission meetings as required by changing conditions.

At year end, appropriation balances lapse, except for certain unexpended capital items which will be honored during the subsequent year.

A budget and actual comparison of operating expenditures is presented as a supplementary schedule.

3. Cash and Short-Term Investments

Custodial credit risk, as defined under GASB Statement No. 40, is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of June 30, 2014, \$198,665 of the Commission's bank balance of \$61,794,537 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by the pledging bank's trust department not in the Commission's name.

Massachusetts General Law Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Commission's deposits are within this limitation.

4. Restricted Cash

The Commission issues debt under a General Bond Resolution which requires cash reserves to be maintained. These reserves are reported as restricted cash.

The reserves include an Operating Reserve Fund (equal to 1/6 of the Commission's annual operating budget), a Renewal/Replacement Fund (\$1 million), a Debt Service Fund (equal to principal and interest, payable on an accrual basis at June 30), and a Debt Service Reserve Fund (equal to the highest principal and interest due in any subsequent year). In addition, the Bond Resolution establishes several other reserves which may be activated in future years.

The restricted cash balance reported in the financial statements is comprised of the following at June 30, 2014:

Reserve Funds:	
Operating Reserve Fund	\$ 7,634,957
Renewal/Replacement Fund	1,000,000
Debt Service Fund	10,437,471
Debt Service Reserve Fund	10,515,225
Other Funds:	
Project Accounts	1,696
Scholarship Trust Fund	<u>81,298</u>
Total	\$ <u>29,670,647</u>

5. Accounts Receivable

Accounts receivable consist of the following at June 30, 2014:

Customer Accounts:	
Billed water, sewer and wastewater regional	\$ 4,405,090
Less: allowances	<u>(610,872)</u>
Total billed	3,794,218
Unbilled water (including power generation and wholesale water charges) and sewer	4,416,614
Adjustment to wastewater regional and sewer pump station for actual usage through June 30, 2014	<u>(757,638)</u>
Total customer accounts	\$ <u>7,453,194</u>

6. Intergovernmental Receivables

The balance in this account represents the following:

	<u>Current</u>	<u>Non Current</u>
Massachusetts Clean Water Trust loan funds not yet requested (or expended on project costs) as of June 30, 2014. These funds are expected to be drawn down as project costs are incurred in fiscal year 2015.	\$ 7,403,536	\$ -
Amount due from Town of Wilbraham under an agreement signed in June 2007, whereby the Town agrees to reimburse the Commission a portion of the costs/debt incurred to enable the Town to enter the sewage disposal system. Future amounts to be paid by the Town are anticipated to coincide with certain debt issued by the Commission, which mature in fiscal years 2026 through 2038.	<u>111,682</u>	<u>1,650,739</u>
Total Balance June 30, 2014	<u>\$ 7,515,218</u>	<u>\$ 1,650,739</u>

7. Inventory for Consumption

This inventory balance at June 30, 2014 consists of the following:

Fuel inventory (gasoline and diesel)	\$ 66,594
Materials inventory (parts and supplies)	1,048,841
Less adjustment for obsolete and slow moving materials inventory	<u>(154,727)</u>
Total	<u>\$ 960,708</u>

8. Deferred Outflows and Inflows

To accommodate the rate-making process, the Commission follows the accounting standards set forth in Financial Accounting Standards Codification Section 980 (FASC 980), *Accounting for the Effects of Certain Types of Regulation*. FASC 980 allows certain board approved (a) revenues provided for future allowable costs to be deferred until the costs are actually incurred (deferred credits) and (b) costs incurred to be capitalized if future recovery is reasonably assured (deferred charges).

Deferred Outflows

Deferred outflows of resources represent the consumption of net assets by the Commission that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2014:

Unamortized refunding of debt	\$	67,500
Deferred charges		<u>3,417,737</u>
Total Deferred Outflows	\$	<u><u>3,485,237</u></u>

Deferred charges consist of costs incurred to privatize and upgrade the wastewater regional plant facility, accrued sick, vacation and other compensated absences, accrued workers compensation costs and net OPEB obligation. The privatization costs will be funded through adjustments to regional wastewater member town assessments over the life of the privatization contract, which ends in fiscal year 2021. Other costs will be recovered through future rates or matched against credits related to the specific costs in the future.

Deferred Inflows

Deferred inflows of resources are the acquisition of net assets by the Springfield Water and Sewer Commission that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Deferred inflows consists of the balance of deferred credits.

Amounts raised through rates specifically earmarked for capital improvements and debt repayment are recorded as deferred credits and will be reversed through the statement of revenues, expenses and changes in fund net position over the depreciable life of the asset and related debt repayment.

The application of FASC 980 results in certain revenues and expenses being removed from the statement of revenues, expenses and changes in fund net position and reflected in the statement of net position as deferred outflows or deferred inflows. The revenues and expenses that have been removed from the statement of revenues, expenses and changes in fund net position and added to the statement of net position appear in the line "Excess revenues used to fund deferrals" on the statement of revenues, expenses and changes in fund net position. The detail of changes to and components of these amounts are as follows:

	<u>06/30/13</u>	Increase (Decrease)	<u>06/30/14</u>
<u>Deferred Charges</u>			
Accrued workers compensation	\$ 291,261	\$ (139,958)	\$ 151,303
Accrued compensated absences	1,333,061	48,823	1,381,884
Net OPEB obligation	-	1,261,063	1,261,063
Privatization costs	<u>723,246</u>	<u>(99,759)</u>	<u>623,487</u>
Total Deferred Charges	\$ <u><u>2,347,568</u></u>	\$ <u><u>1,070,169</u></u>	\$ <u><u>3,417,737</u></u>
<u>Deferred Credits</u>			
Capital improvements, net of depreciation	\$ 26,216,701	\$ 7,777,132	\$ 33,993,833
Principal debt payments	34,129,301	6,577,835	40,707,136
Group insurance deposit	<u>495,227</u>	<u>-</u>	<u>495,227</u>
Total Deferred Credits	\$ <u><u>60,841,229</u></u>	\$ <u><u>14,354,967</u></u>	\$ <u><u>75,196,196</u></u>

9. Health Insurance Deposit

The Commission participates in the Hampshire County Group Insurance Trust (the Trust) to provide health insurance coverage to its employees. When the Commission joined the Trust, they were required to place on deposit the equivalent of 3 months (estimated) claims expense. This deposit reserve affords the Commission voting rights in the Trust and would only be used to fund the residual claims in the event the Commission withdraws from the Trust.

10. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert to Capital Assets</u>	<u>Ending Balance</u>
Capital assets, being depreciated:					
Furniture and fixtures	\$ 6,133	\$ -	\$ -	\$ 601	\$ 6,734
Vehicles and equipment	8,136	-	(598)	867	8,405
Buildings and improvements	6,296	-	-	65	6,361
Infrastructure	<u>262,852</u>	<u>-</u>	<u>-</u>	<u>10,433</u>	<u>273,285</u>
Total capital assets, being depreciated	283,417	-	(598)	11,966	294,785
Less accumulated depreciation for:					
Furniture and fixtures	(3,262)	(666)	-	-	(3,928)
Vehicles and equipment	(6,582)	(697)	582	-	(6,697)
Buildings and improvements	(1,330)	(179)	-	-	(1,509)
Infrastructure	<u>(118,307)</u>	<u>(5,501)</u>	<u>-</u>	<u>-</u>	<u>(123,808)</u>
Total accumulated depreciation	<u>(129,481)</u>	<u>(7,043)</u>	<u>582</u>	<u>-</u>	<u>(135,942)</u>
Total capital assets, being depreciated, net	153,936	(7,043)	(16)	11,966	158,843
Capital assets, not being depreciated:					
Land	5,103	-	-	-	5,103
Construction in progress	<u>68,268</u>	<u>29,968</u>	<u>-</u>	<u>(11,966)</u>	<u>86,270</u>
Total capital assets, not being depreciated	<u>73,371</u>	<u>29,968</u>	<u>-</u>	<u>(11,966)</u>	<u>91,373</u>
Capital assets, net	<u>\$ 227,307</u>	<u>\$ 22,925</u>	<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ 250,216</u>

11. Long-Term Debt

A. Debt Issued through the City of Springfield

At the time of its creation, the Commission assumed general obligation certificates of indebtedness and State revolving loans of the City pertaining to the water and sewer systems. Payments of principal and interest are made directly to the City in accordance with the original maturity and interest schedules.

B. Revenue Bonds

Certain debt issued after separating from the City has been issued as Revenue Bonds. Under the terms of these loans, all operating revenues of the Commission are deposited in a dedicated operating reserve account and from which prescribed reserves are established (see restricted cash footnote). In addition, all bond proceeds have been deposited in separate project accounts that are under the lender's controls. These project accounts may be accessed only to fund project-related costs.

A summary of the long-term debt outstanding as of June 30, 2014 follows:

	Serial Maturities Through	Interest Rate(s)%	Loan Balance Outstanding June 30, 2014	Bond Premium Amortization	Total Balance June 30, 2014
<u>Issued Through City of Springfield:</u>					
Sewer bond (MCWT 91-59)	02/01/15	1.00 - 2.75	\$ 119,051	\$ -	\$ 119,051
Sewer bond (MCWT 94-24)	02/01/15	1.00 - 2.75	<u>297,995</u>	<u>-</u>	<u>297,995</u>
Total issued through City			417,046	-	417,046
<u>Issued Through Water and Sewer Commission:</u>					
Sewer (MCWT 94-24 / 95-07 / 98-133)	08/01/20	1.00 - 2.75	2,707,334	-	2,707,334
Sewer (United Water)	10/01/20	Various	588,042	-	588,042
Revenue bonds (refunding)	11/01/21	4.0 - 5.0	5,835,000	-	5,835,000
Sewer CSO (MCWT CW-01-39)	08/01/22	1.00 - 2.75	1,807,269	-	1,807,269
Revenue bonds	07/01/23	2.0 - 5.0	5,630,000	124,799	5,754,799
Revenue bonds	07/15/26	4.25 - 5.0	14,145,000	193,161	14,338,161
Revenue bonds	10/15/28	4.0 - 5.75	11,635,000	32,929	11,667,929
Sewer CSO (MCWT CW-08-36)	07/15/30	2.00	8,518,997	-	8,518,997
Revenue bonds	11/15/30	3.0 - 5.0	23,205,000	1,862,558	25,067,558
Sewer CSO (MCWT CW-08-36-A)	07/15/32	2.00	5,889,247	-	5,889,247
Sewer CSO (MCWT CW-10-06)	07/15/32	2.00	1,646,558	-	1,646,558
Sewer CSO (MCWT CW-11-01)	07/15/32	2.00	6,142,263	-	6,142,263
Sewer CSO (MCWT CW-11-22)	01/15/33	2.00	1,589,265	-	1,589,265
Sewer CSO (MCWT CW-12-03)	01/15/35	2.00	19,660,542	-	19,660,542
Sewer CSO (MCWT CW-06-27)	07/15/37	2.41	<u>24,849,104</u>	<u>-</u>	<u>24,849,104</u>
Total issued through Water and Sewer Commission			<u>133,848,621</u>	<u>2,213,447</u>	<u>136,062,068</u>
Total Long-Term Debt			\$ <u>134,265,667</u>	\$ <u>2,213,447</u>	\$ <u>136,479,114</u>

C. State Revolving Loan

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the States and are used by local communities to improve their sewer systems.

Some of the Commission's loans are administered through the Massachusetts Clean Water Trust (the Trust) Revolving Loan Program (previously known as the Massachusetts Water Pollution Abatement Trust). The following is a summary of the Trust loan balances at June 30, 2014:

<u>Loan Number</u>	<u>Issue Date</u>	<u>Original Loan Balance</u>	<u>Principal Subsidy</u>	<u>Balance 06/30/14</u>
91-59	06/01/95	\$ 1,513,116	\$ (114,381)	\$ 119,051
94-24 (Part II)/ 95-07 / 98-133	11/01/00	6,572,640	(1,262,515)	2,707,334
CW-01-39	11/26/02	4,365,122	(660,576)	1,807,269
CW-10-06	06/13/12	3,176,651	(1,110,353)	1,646,558
CW-11-01	06/13/12	7,304,701	(695,563)	6,142,263
CW-11-22	05/22/13	1,860,000	(203,737)	1,589,265
CW-12-03	12/31/13	20,497,831	(837,289)	19,660,542

D. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding (including bond premium amortization) as of June 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,661,312	\$ 4,460,129	\$ 12,121,441
2016	7,428,034	4,207,932	11,635,966
2017	7,628,126	3,966,388	11,594,514
2018	7,834,462	3,708,605	11,543,067
2019	8,026,994	3,447,635	11,474,629
2020 - 2024	39,515,799	12,777,087	52,292,886
2025 - 2029	33,805,813	6,095,298	39,901,111
Thereafter	<u>24,578,574</u>	<u>1,906,302</u>	<u>26,484,876</u>
Total	\$ <u>136,479,114</u>	\$ <u>40,569,376</u>	\$ <u>177,048,490</u>

E. Long-Term Debt Activity

The following summarizes activity in long-term obligations during 2014 (in thousands):

	<u>Balance 07/01/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/14</u>	<u>Less Current Portion</u>	<u>Equals Long -Term Portion</u>
<u>Long-Term Debt:</u>						
Loans Payable:						
Issued through Commission	\$ 123,326	\$ 19,661	\$ (6,925)	\$ 136,062	\$ (7,244)	\$ 128,818
Issued through City	812	-	(395)	417	(417)	-
Unamortized effect of advance refunding	(78)	-	10	(68)	10	(58)
Other:						
Accrued compensated absences	1,333	167	(118)	1,382	(180)	1,202
Net OPEB obligation	-	1,494	(233)	1,261	-	1,261
Accrued workers compensation	<u>291</u>	<u>-</u>	<u>(140)</u>	<u>151</u>	<u>-</u>	<u>151</u>
Total	\$ <u>125,684</u>	\$ <u>21,322</u>	\$ <u>(7,801)</u>	\$ <u>139,205</u>	\$ <u>(7,831)</u>	\$ <u>131,374</u>

F. Bond Covenants

The Commission's General Bond Resolution contains various restrictive covenants including, among other things, restrictions on incurring both short-term and long term debt in certain circumstances and restrictions on selling, mortgaging, leasing or otherwise disposing of any part of the system. The Bond Resolution requires the Commission to establish water and sewer rates at least sufficient to pay current expenses, pay principal and interest of indebtedness, create and maintain reserves required by bond resolutions, and pay the cost of all necessary repairs, replacements, and renewals of the system. They also require certain accounts to be established and maintained (Note 4), the balances of which are restricted to various operating, debt service, capital expenditure, and renewal and replacement purposes. The Commission has pledged all cash accounts and revenues as collateral for the debt.

In addition the Commission is required to comply with certain bond covenants which require that "net revenues" as defined in the General Resolution, for each fiscal year shall equal at least 125% of the Debt Service Requirement.

The Commission was in compliance with all bond covenants for the year ended June 30, 2014.

12. Restricted Net Position

The balance in restricted net assets of \$31,651,795 represents the restricted cash balance for required reserves and scholarships of \$29,668,951 and the total value of inventory of \$1,982,844.

13. Subsequent Events

Debt

In July 2014, the Commission issued a general revenue bond for \$25,615,000. The bond carries an interest rate of 3-5% and is payable over the next twenty years.

In September 2014, the Commission signed an interim anticipation note for a CSO project through the Massachusetts Clean Water Trust. The loan amount is \$22,587,589, carries an interim interest rate of 0.10% and is scheduled to be converted to a permanent loan by December 2015.

In October 2014, the Commission issued a general revenue refunding bond for \$15,245,000 to refund their 2003A and 2006A bonds. The refunding bond carries an interest rate of 3-5% and is payable over the next twelve years.

14. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

Sewer Overflow - The Commission has been under a series of administrative orders (AO) from the Environmental Protection Agency to abate the discharge of pollutants from overflow into the Connecticut River.

In September 2008, the Commission received an AO, related to sewer collection system Capacity, Management, Operation and Maintenance (CMOM) program and completion of the Final Long-term CSO Control Plan. Under the AO, the Commission is required to establish a CMOM program to assess and monitor the entire system; identify and prioritize system deficiencies; and ultimately design plans and construction drawings for eliminating overflows. The Commission submitted a Long-Term CSO Control Plan in May 2012 which has been accepted by EPA and the Massachusetts DEP. This integrated plan outlines priority projects over the next 20 years but allows the Commission flexibility to address other needs if the situation arises. The Commission will continue to receive separate AOs for each scheduled project in the Long-Term Control Plan as the projects progress.

In June 2012, the Commission received an additional AO, to again abate the discharge of pollutants from overflow into the Connecticut River. The deadline for completion of this AO is December 31, 2014. The Commission is currently on schedule to meet the time requirements contained in this AO.

Compliance with the AOs will result in major expansion, improvement and/or construction of new and existing facilities (pump stations and related infrastructure). As a result, costs for the major projects currently identified, estimated at \$112 million (\$17 million of which has been incurred as of June 30, 2014) has or will be capitalized as incurred. The Commission intends to fund these costs through a combination of grants, reduced rate (State) loans, bonds and retained earnings.

Workers Compensation Liability - The financial statements include an estimate of future benefit costs/settlements for employees currently receiving workers compensation benefits.

Self-Insurance - The Commission participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of March 31, 2014 the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$175,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At March 31, 2014, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$3.3 million, the Trust was in a surplus position of approximately \$27.1 million.

15. Post-Employment Health Care and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the statement of net position over time.

A. Plan Description

In addition to providing the pension benefits described in Note 16, the Commission provides post-employment healthcare benefits for retired employees through the City of Springfield's plan administered through the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. As of December 31, 2013, the actuarial valuation date, approximately 142 retirees and 230 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Commission provides medical and prescription drug coverage to retirees and their covered dependents. All active employees who retire from the Commission and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 25% of the cost of the health plan, as determined by the Commission. The Commission contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Commission's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Commission's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the Commission's net OPEB obligation based on an actuarial valuation as of December 31, 2013 (in thousands):

Annual Required Contribution (ARC)	\$ 1,494
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>1,494</u>
Contributions made	<u>(233)</u>
Increase in net OPEB obligation	1,261
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 1,261</u></u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2014	\$ 1,494	16%	\$ 1,261

E. Funding Status and Funding Progress

The funded status of the plan as of December 31, 2013, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 15,837
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 15,837</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Commission and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Commission and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Commission has not advance funded its obligation. The actuarial assumptions included a 3.5% investment rate of return and an initial annual healthcare cost trend rate of 6.5%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

16. Pension Plan

The Commission follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees (as amended by GASB 50)*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all full time employees participate in the City of Springfield Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the City of Springfield Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the City of Springfield Retirement System, 70 Tapley Street, Springfield MA 01104.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Commission is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Commission are governed by Chapter 32 of the Massachusetts General Laws. The Commission's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$3,860,964, \$3,558,294, and \$3,436,573, respectively, which were equal to its annual required contributions for each of these years.

C. Funding Status

The annual required contribution for the current year was determined as part of an actuarial valuation using the entry age normal actuarial cost method. The actuarially accrued liability for the City of Springfield as of January 1, 2012 was \$925 million. The City's assets available for benefits on that date (at market value) was \$268 million, leaving an unfunded actuarially accrued liability of \$657 million. The percentage attributable to each participating entity was not available. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8%) and accounting for deposits and disbursements with interest at the assumed rate of return. The unfunded actuarially accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at January 1, 2012 was 25 years, with payments increasing between 5-6% per year.

17. Transactions with City of Springfield

Other than the retirement system contribution noted above, the Commission's fiscal year 2014 transactions with the City consist of payments for Police Department services of \$885,518, for retiree health insurance of \$182,502, and other City department services and fees totaling \$416.

18. Wastewater Regional Operations Management

In August 2000, the Commission entered into an agreement with United Water, Springfield LLC (now United Water Environmental Services, Inc.) to operate the Commission's wastewater regional operations effective October 1, 2000 and for a term of 20 years. The pertinent conditions of the agreement are as follows:

- All assets remain the property of the Commission.
- Equipment/inventory used over the 20-year term is to be replaced/ reimbursed by United Water.
- The Commission continues to control the customer billing process.
- The Commission agreed to incur a maximum of \$10.3 million for the initial capital improvements to the facility. These improvements became the property of the Commission upon acceptance of the work performed.
- United Water bills the Commission monthly for the cost of providing service and an administrative fee. The monthly cost as of June 2014 was approximately \$890,000.
- In September 2000, United Water reimbursed the Commission for approximately \$1.9 million of costs incurred in the privatization process. The Commission is repaying this amount through the monthly billing process.
- Under the contract, United Water must provide a guaranteed letter of credit to the Commission as security for operating performance and capital asset management. The letter of credit is adjusted annually to maintain a value equal to 150% of the contract value, which changes based on a number of factors. At June 30, 2014, the letter of credit was approximately \$20.1 million.

19. Implementation of New GASB Standards

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Commission's basic financial statements by recognizing as a liability and expense, the Commission's applicable portion of the City of Springfield Retirement System's actuarially accrued liability.

SPRINGFIELD WATER AND SEWER COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress
 June 30, 2014
 (Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/13	\$ -	\$ 15,836,718	\$ 15,836,718	0.0%	N/A	N/A

Springfield Retirement System
 Required Supplementary Information
 (Unaudited)
 Employees' Retirement System
 Schedule of Funding Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 267,806,693	\$ 924,996,962	\$ 657,190,269	29.0%	\$ 134,749,528	487.7%
01/01/10	\$ 278,377,005	\$ 799,915,756	\$ 521,538,751	34.8%	\$ 124,129,569	420.2%
01/01/08	\$ 296,522,245	\$ 699,026,798	\$ 402,504,553	42.4%	\$ 126,478,597	318.2%
01/01/05	\$ 276,286,563	\$ 649,023,965	\$ 372,737,402	42.6%	\$ 115,383,642	323.0%
01/01/04	\$ 291,017,758	\$ 615,605,168	\$ 324,587,410	47.3%	\$ 109,937,408	295.2%

Employees' Retirement System
 Schedule of Employer Contributions

Plan Year End	System Wide			Commission	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Commission Contributions as a % of Actual Contributions
12/31/13	\$ 40,824,977	\$ 40,824,977	100%	\$ 3,860,964	9.5%
12/31/12	\$ 39,380,319	\$ 39,380,319	100%	\$ 3,558,294	9.0%
12/31/11	\$ 35,984,472	\$ 35,984,472	100%	\$ 3,436,573	9.6%

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

SCHEDULE OF OPERATING EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures and Other Uses:				
Salaries and wages	\$ 13,743,790	\$ 13,743,790	\$ 12,754,106	\$ 989,684
Employee benefits	6,767,140	6,767,140	6,587,340	179,800
Operations	23,410,548	23,410,548	21,588,647	1,821,901
Intergovernmental	551,768	551,768	519,315	32,453
Capital outlay	443,550	443,550	294,187	149,363
Depreciation and amortization	7,142,654	7,142,654	7,142,654	-
Other	674,900	674,900	484,610	190,290
Interest	<u>4,639,435</u>	<u>4,639,435</u>	<u>4,175,867</u>	<u>463,568</u>
Total Expenditures	<u>\$ 57,373,785</u>	<u>\$ 57,373,785</u>	<u>\$ 53,546,726</u>	<u>\$ 3,827,059</u>

The accompanying notes are an integral part of these financial statements.

Notes to Supplemental Schedule

Schedule of Operating Expenditures - Budget and Actual

Budgetary Basis

The appropriation appearing on page 42 of the financial statements represents the operating budget of the Commission that was originally authorized in June 2013.

Budget/GAAP Reconciliation

The budgetary data is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual expenditures to conform to the budgetary basis of accounting.

Operating expenditures (GAAP basis)	\$ 51,890,194
Non-operating expenditures (GAAP basis)	4,331,542
Reverse capital expenditures appropriated in a prior fiscal year	(1,090,307)
Reverse the effect of prior year and current year GAAP accruals of:	
Inventory	(76,444)
Accounts payable and accrued payroll	(182,656)
Interest on long-term debt	(155,675)
Accrued compensated absences	(48,823)
Net OPEB obligation	(1,261,063)
Accrued workers compensation	<u>139,958</u>
Budgetary basis	<u>\$ 53,546,726</u>

This part of the Commission’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission’s overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Commission’s financial performance and well-being have changed over time. These schedules are found on pages 45 and 46.

Net Position by Component – Last Ten Fiscal Years
Changes in Net Position – Last Ten Fiscal Years

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Commission’s ability to generate revenue. These schedules are found on pages 47 through 50.

Largest Users – Last Ten Fiscal Years
Water: Supplied Billed and Accounted For. Sewer: Treated and Billed – Last Ten Fiscal Years
Billings and Collections – Last Ten Fiscal Years
Water and Sewer Rates Structure – Last Ten Fiscal Years

Debt Capacity

These schedules present information to help the reader assess the affordability of the Commission’s current levels of outstanding debt and the Commission’s ability to issue additional debt in the future. These schedules are found on pages 51 through 56.

Commission Per Capita Debt – Last Ten Fiscal Years
Debt Coverage – Last Ten Fiscal Years
Population, Income and Employment – Last Ten Calendar Years
Demographic and Economic Statistics – 2013 Calendar Year-End Summary
Distribution of Customers by Account Type – Last Ten Fiscal Years
Largest Private Employers – Current Year and Nine Years Prior

Operating and Capital Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Commission’s financial statements relates to the services the Commission provides and the activities it performs. These schedules are found on pages 57 through 61.

Divisional Breakdown of SWSC Funded (Budgeted) Positions – Last Ten Budget Years
Water and Sewer Distribution System – Year-End 2014
Insurance Coverage – 2014 – 2015
Water and Sewer Sales – Last Nine Fiscal Years
Capital Spending by Category – Last Ten Fiscal Years

Table 1
Net Position by Component
Last Ten Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net investment in capital assets	\$ 124,060,618	\$ 104,126,159	\$ 92,474,640	\$ 87,291,111	\$ 93,215,703	\$ 92,904,693	\$ 99,253,813	\$ 91,217,173	\$ 94,390,868	\$ 86,843,991
Restricted	31,651,795	31,120,310	30,618,919	29,910,286	24,025,690	24,079,997	21,028,273	18,230,031	13,613,197	12,899,841
Unrestricted	<u>(42,378,183)</u>	<u>(17,512,709)</u>	<u>(8,663,848)</u>	<u>(8,569,063)</u>	<u>(12,933,706)</u>	<u>(10,939,318)</u>	<u>(14,323,906)</u>	<u>(19,767,557)</u>	<u>(25,090,238)</u>	<u>(20,883,855)</u>
Total net position:	<u>\$ 113,334,230</u>	<u>\$ 117,733,760</u>	<u>\$ 114,429,711</u>	<u>\$ 108,632,334</u>	<u>\$ 104,307,687</u>	<u>\$ 106,045,372</u>	<u>\$ 105,958,180</u>	<u>\$ 89,679,647</u>	<u>\$ 82,913,827</u>	<u>\$ 78,859,977</u>

Source: Audited Financial Statements (2005 - 2009 as modified)

Table 2
Changes in Net Position
Last Ten Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues										
Water and sewer usage	\$ 63,889,847	\$ 61,904,588	\$ 61,726,370	\$ 56,924,065	\$ 52,182,531	\$ 50,879,536	\$ 50,785,869	\$ 45,613,639	\$ 40,462,676	\$ 40,036,213
Other income	442,440	323,306	468,610	208,003	132,699	301,775	1,095,018	257,114	183,774	53,336
Total Operating Revenues	64,332,287	62,227,894	62,194,980	57,132,068	52,315,230	51,181,311	51,880,887	45,870,753	40,646,450	40,089,549
Operating and Maintenance Expenses										
Salaries and wages	12,897,208	12,924,669	12,891,991	12,487,566	12,019,094	12,448,253	11,519,326	11,215,796	7,106,401	6,542,356
Employee benefits	7,708,445	6,339,698	6,225,431	4,790,965	4,787,846	4,429,019	4,561,640	3,578,421	2,365,003	2,689,187
Administration (indirect costs)	-	-	-	-	-	-	-	184,601	2,108,000	1,355,000
Operations	21,677,024	21,299,006	20,550,371	20,022,498	20,645,435	21,371,672	20,341,337	18,951,060	20,290,040	19,547,146
Intergovernmental	519,315	504,188	493,920	500,914	486,892	477,701	454,092	466,727	448,740	374,639
Capital outlay	1,384,494	1,028,998	1,424,314	1,039,339	2,416,947	971,581	1,485,567	2,345,374	838,764	219,558
Other	561,054	413,520	615,729	355,459	358,107	308,747	315,916	271,347	293,051	205,345
Total Operating Expenses	44,747,540	42,510,079	42,201,756	39,196,741	40,714,321	40,006,973	38,677,878	37,013,326	33,449,999	30,933,231
Depreciation and amortization	7,142,654	7,104,089	6,977,531	7,044,059	6,342,586	6,073,872	5,563,974	5,267,390	5,012,614	4,774,663
Excess Operating Revenues	12,442,093	12,613,726	13,015,693	10,891,268	5,258,323	5,100,466	7,639,035	3,590,037	2,183,837	4,381,655
Non-operating Revenues (Expenses)										
Interest income	13,709	16,180	19,618	30,006	49,600	278,324	1,331,957	2,132,353	1,228,064	520,428
Interest expense	(4,331,542)	(4,403,264)	(4,267,401)	(3,972,515)	(3,309,198)	(3,289,552)	(2,289,887)	(1,916,024)	(1,164,873)	(1,195,866)
Other	661,249	-	38,574	9,781	(4,015)	(125,989)	(124,260)	(9,523)	(2,018)	144,907
Total Non-operating Expenses	(3,656,584)	(4,387,084)	(4,209,209)	(3,932,728)	(3,263,613)	(3,137,217)	(1,082,190)	206,806	61,173	(530,531)
Capital grants and contributions	-	1,227,663	1,737,571	362,428	2,740,324	251,763	810,072	1,308,411	189,004	87,104
Excess revenues before deferral adjustments and special items	8,785,509	9,454,305	10,544,055	7,320,968	4,735,034	2,215,012	7,366,917	5,105,254	2,434,014	3,938,228
Excess revenues used to fund reserves and other deferrals	(13,185,039)	(6,150,256)	(4,746,678)	(2,996,321)	(1,523,715)	(2,127,820)	8,911,616	1,660,566	1,619,836	1,326,319
Special item	-	-	-	-	(4,949,004)	-	-	-	-	-
Change in Net Position	\$ (4,399,530)	\$ 3,304,049	\$ 5,797,377	\$ 4,324,647	\$ (1,737,685)	\$ 87,192	\$ 16,278,533	\$ 6,765,820	\$ 4,053,850	\$ 5,264,547

Source: Audited Financial Statements
(2005 - 2009 as modified)

**Table 3
Largest Users
Last Ten Fiscal Years**

Top 25 Customers	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Solutia, Inc.	\$ 7,957,100	\$ 6,431,271	\$ 6,111,495	\$ 6,728,411	\$ 5,574,650	\$ 6,231,898	\$ 6,057,017	\$ 5,061,960	\$ 5,182,344	\$ 3,956,334
Town of Agawam	2,944,831	2,896,569	3,204,264	2,980,312	2,811,615	2,777,483	2,246,468	2,230,101	1,937,986	1,782,659
Town of West Springfield	1,610,031	1,402,042	1,520,135	1,927,885	1,982,693	1,305,916	1,878,700	1,591,699	1,586,390	910,980
Town of Longmeadow	1,362,849	1,364,753	1,337,546	1,517,682	1,424,910	949,817	1,471,751	1,217,322	1,108,743	825,437
Town of East Longmeadow	1,251,602	1,332,632	1,280,605	1,252,253	888,999	765,457	652,052	689,773	618,820	447,306
Springfield Housing Authority	1,165,478	1,103,606	1,143,894	1,147,318	1,007,186	875,106	780,427	747,012	750,052	735,156
Bay State Medical Center	780,102	852,355	850,642	816,729	680,250	601,332	551,069	578,639	542,084	361,402
Town of Ludlow DPW	694,297	561,993	557,463	840,323	812,734	568,675	728,241	569,166	586,008	464,112
Catholic Health East-APSS	510,245	523,085	411,536	364,181	310,942	321,948	295,951	323,846	274,005	224,321
Springfield College	432,570	454,455	393,046	397,374	316,715	300,403	288,408	211,803	275,980	231,363
Western New England University	395,069	369,050	331,600	305,976	254,167	232,358	249,617	229,729	240,351	157,046
City of Springfield/Schools	356,808	376,492	363,417	367,620	338,933	273,876	274,862	216,916	138,494	-
Smith & Wesson	344,034	431,508	289,926	246,791	251,808	214,299	188,073	165,396	151,696	138,120
Taylor Consulting & Contracting	329,687	374,304	317,496	308,924	275,433	263,040	249,521	254,060	229,983	223,808
Chestnut Park Associates	292,262	284,248	261,429	249,389	326,922	347,583	268,606	283,009	249,133	213,192
Town of Wilbraham	286,722	-	-	-	-	-	-	-	-	-
Pynchon I Apartments, Ltd	227,474	231,734	235,228	184,723	170,722	144,068	129,353	127,061	133,182	100,382
Carando/Smithfield Foods	216,350	219,284	209,441	197,765	168,268	145,846	111,158	89,059	90,268	78,214
Cardaropoli, Attilio	203,646	211,948	210,895	188,688	184,870	175,842	151,382	131,714	119,588	108,729
Styrolution America, LLC	186,233	600,479	1,009,955	453,877	413,474	161,301	-	-	-	-
Unifirst Corporation	183,622	190,246	170,994	205,421	182,214	138,989	129,081	125,129	128,615	115,627
Pynchon II Apartments, Ltd.	183,432	-	-	-	-	-	-	-	-	-
Allen Park 1 & 2	177,904	-	-	-	-	-	-	-	-	-
Spring Meadow Apartments	176,398	170,576	141,701	151,868	126,981	121,183	118,395	89,550	104,909	71,528
Armory Commons	147,790	-	-	-	-	-	-	-	-	-
Mass Municipal Wholesale	-	435,073	276,108	217,681	121,490	85,159	99,593	122,180	56,121	51,339
Hampden County Sheriff's Dept.	-	347,398	327,756	136,214	123,957	129,267	149,943	166,819	141,892	129,231
City of Springfield/Parks Dept	-	206,635	130,685	60,831	-	-	39,917	-	-	33,104
Mass Power	-	168,371	157,513	42,665	42,726	-	-	-	67,398	103,963
Total	\$ 22,416,536	\$ 21,540,107	\$ 21,244,771	\$ 21,290,903	\$ 18,792,659	\$ 17,130,847	\$ 17,109,585	\$ 15,221,942	\$ 14,714,042	\$ 11,463,355
Percent of Total Operating Revenue	35%	35%	37%	39%	37%	35%	34%	34%	37%	30%

Source: Commission Billing Records

Table 4
Water: Supplied and Accounted For
Sewer: Treated and Billed
Last Ten Fiscal Years

Water Sales (1000 gals)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	3,891,966	4,228,945	3,950,102	4,256,540	4,026,586	4,185,643	4,444,149	4,260,825	4,446,753	4,539,621
Commercial	1,005,578	1,075,718	1,085,939	1,111,285	1,071,869	1,132,181	1,222,881	1,203,263	1,262,326	1,168,916
Industrial	292,994	305,685	351,324	467,409	444,615	344,988	350,023	307,750	272,136	373,596
Municipal	98,405	125,987	118,816	127,844	88,114	91,505	85,240	75,134	68,931	226,068
Solutia contract	2,764,977	2,335,635	2,806,380	2,649,483	2,565,497	2,353,797	2,923,054	2,803,959	2,879,245	2,698,340
Town contracts	<u>2,846,092</u>	<u>3,026,692</u>	<u>3,085,764</u>	<u>3,039,522</u>	<u>2,821,122</u>	<u>2,625,343</u>	<u>3,415,697</u>	<u>3,226,712</u>	<u>3,128,031</u>	<u>3,401,374</u>
Total water billed	10,900,012	11,098,662	11,398,325	11,652,083	11,017,803	10,733,457	12,441,044	11,877,643	12,057,422	12,407,915
Water supplied	11,432,110	11,917,910	12,054,950	12,234,600	12,164,890	11,459,680	12,949,030	12,789,950	12,635,300	13,094,140
% Accounted for	95.3%	93.1%	94.6%	95.2%	90.6%	93.7%	96.1%	92.9%	95.4%	94.8%
Sewer Sales (1000 gals)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	3,623,135	3,853,056	3,685,012	3,972,232	3,772,710	3,912,041	4,131,375	3,975,095	4,124,037	4,237,693
Commercial	536,765	545,418	557,926	568,273	570,593	619,296	668,646	644,217	678,022	662,671
Industrial	161,525	177,979	166,274	168,006	165,854	186,198	269,809	188,323	169,389	223,688
Municipal	53,819	55,634	56,434	60,679	58,861	61,011	62,969	53,513	41,845	195,619
Food Service	36,333	39,310	44,412	44,978	46,179	48,735	50,537	50,889	51,822	53,737
Medical	150,742	168,482	172,983	166,605	151,009	150,338	145,483	155,791	165,649	118,735
Solutia contract	1,947,061	1,915,526	2,081,838	1,976,209	1,825,200	1,691,288	1,936,864	1,834,589	1,869,885	1,818,866
Town contracts	<u>4,424,605</u>	<u>4,076,072</u>	<u>4,961,971</u>	<u>4,632,295</u>	<u>4,855,892</u>	<u>5,172,245</u>	<u>4,824,793</u>	<u>4,809,061</u>	<u>5,534,434</u>	<u>4,941,203</u>
Total sewer billed	10,933,985	10,831,477	11,726,850	11,589,277	11,446,298	11,841,152	12,090,476	11,711,478	12,635,083	12,252,212
Wastewater treated	14,417,490	13,320,850	15,981,760	14,569,050	15,371,940	16,162,350	15,141,264	15,245,199	17,958,827	15,826,878
% Accounted for	75.8%	81.3%	73.4%	79.5%	74.5%	73.3%	79.9%	76.8%	70.4%	77.4%

Source: Internal Meter Readings

Table 5
Billings and Collections
Last Ten Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Billings	\$62,114,921	\$60,357,697	\$58,745,953	\$59,604,651	\$50,122,428	\$47,638,051	\$47,344,404	\$42,439,650	\$41,773,843	\$32,139,141
Adjustments	(\$304,095)	\$164,551	(\$2,770,914)	(\$1,725,815)	\$503,508	\$231,708	\$716,058	\$325,253	\$603,583	\$4,357,767
Write-offs	\$80,900	\$158,965	\$132,792	\$131,347	\$129,019	\$105,530	\$47,423	\$46,348	\$53,053	\$202,459
Net Billings	\$61,891,726	\$60,681,213	\$56,107,831	\$58,010,183	\$50,754,954	\$47,975,290	\$48,107,885	\$42,811,252	\$42,430,479	\$36,699,367
Payments	\$61,627,375	\$60,129,265	\$57,614,541	\$58,361,769	\$49,954,356	\$47,769,213	\$49,506,099	\$41,484,027	\$41,990,033	\$40,187,497
Collection rate	99.6%	99.1%	102.7%	100.6%	98.4%	99.6%	102.9%	96.9%	99.0%	109.5%
Ending Receivables (before accruals)	\$4,405,090	\$4,221,672	\$3,828,921	\$5,468,424	\$5,951,357	\$5,279,777	\$5,179,230	\$6,624,868	\$5,343,991	\$4,956,598

Source: Internal Billing Records

**Table 6
Water and Sewer Rate Structure
Last Ten Fiscal Years**

Water Rates (per 1000 gals)	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$3.56	\$3.34	\$3.21	\$3.06	\$2.91	\$2.70	\$2.50	\$2.31	\$2.14	\$1.98
Commercial	\$3.56	\$3.34	\$3.21	\$3.06	\$2.91	\$2.70	\$2.50	\$2.31	\$2.14	\$1.98
Municipal	\$2.65	\$2.49	\$2.39	\$2.27	\$2.17	\$2.01	\$1.67	\$1.24	\$1.07	\$1.02
Industrial	\$2.65	\$2.49	\$2.39	\$2.27	\$2.17	\$2.01	\$1.67	\$1.24	\$1.07	\$1.02
Solutia contract	\$2.35	\$2.14	\$2.01	\$1.86	\$1.71	\$1.30	\$1.30	\$1.24	\$1.07	\$1.02
Town contracts	\$1.48	\$1.19	\$1.14	\$0.98	\$0.93	\$0.90	\$0.93	\$0.81	\$0.72	\$0.65
Residential Water % Change	6.4%	4.2%	4.8%	5.0%	7.9%	8.0%	8.1%	8.1%	8.1%	5.0%
Sewer Rates (per 1000 gals)	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$5.80	\$5.11	\$4.87	\$4.47	\$4.13	\$3.82	\$3.40	\$3.02	\$2.69	\$2.50
Commercial	\$6.38	\$5.61	\$5.35	\$4.91	\$4.55	\$4.21	\$3.74	\$3.33	\$2.95	\$2.75
Industrial	\$6.95	\$6.12	\$5.84	\$5.36	\$4.96	\$4.59	\$4.08	\$3.62	\$3.22	\$2.99
Municipal	\$5.80	\$5.11	\$4.87	\$4.47	\$4.13	\$3.82	\$3.40	\$3.02	\$2.69	\$2.50
Food Service	\$7.54	\$6.64	\$6.32	\$5.80	\$5.37	\$4.97	\$4.41	\$3.93	\$3.49	\$3.25
Medical	\$6.38	\$5.61	\$5.35	\$4.91	\$4.55	\$4.21	\$3.74	\$3.33	\$2.95	\$2.75
Solutia contract	\$0.96	\$0.99	\$1.08	\$0.79	\$0.78	\$0.92	\$0.98	\$0.99	\$0.98	\$0.68
Town contracts	\$0.96	\$0.99	\$1.08	\$0.79	\$0.78	\$0.92	\$0.98	\$0.99	\$0.98	\$0.68
Residential Sewer % Change	13.6%	4.9%	9.0%	8.1%	8.0%	12.6%	12.4%	12.4%	7.5%	10.7%

Water Rates (per 100 CF)	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$2.66	\$2.50	\$2.40	\$2.29	\$2.18	\$2.02	\$1.87	\$1.73	\$1.60	\$1.48
Commercial	\$2.66	\$2.50	\$2.40	\$2.29	\$2.18	\$2.02	\$1.87	\$1.73	\$1.60	\$1.48
Municipal	\$1.98	\$1.86	\$1.79	\$1.70	\$1.62	\$1.50	\$1.25	\$0.93	\$0.80	\$0.76
Industrial	\$1.98	\$1.86	\$1.79	\$1.70	\$1.62	\$1.50	\$1.25	\$0.93	\$0.80	\$0.76
Solutia contract (per 100 CF)	\$1.76	\$1.60	\$1.50	\$1.39	\$1.28	\$0.97	\$0.97	\$0.93	\$0.80	\$0.76
Town contracts (per million gals)	\$1,481.78	\$1,186.59	\$1,141.50	\$1,165.25	\$928.30	\$904.78	\$927.33	\$812.57	\$724.94	\$651.32
Residential Water % Change	6.4%	4.2%	4.9%	5.0%	7.9%	8.0%	8.1%	8.1%	8.1%	5.0%
Sewer Rates (per 100 CF)	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$4.34	\$3.82	\$3.64	\$3.34	\$3.09	\$2.86	\$2.54	\$2.26	\$2.01	\$1.87
Commercial	\$4.77	\$4.20	\$4.00	\$3.67	\$3.40	\$3.15	\$2.80	\$2.49	\$2.21	\$2.06
Industrial	\$5.20	\$4.58	\$4.37	\$4.01	\$3.71	\$3.43	\$3.05	\$2.71	\$2.41	\$2.24
Municipal	\$4.34	\$3.82	\$3.64	\$3.34	\$3.09	\$2.86	\$2.54	\$2.26	\$2.01	\$1.87
Food Service	\$5.64	\$4.97	\$4.73	\$4.34	\$4.02	\$3.72	\$3.30	\$2.94	\$2.61	\$2.43
Medical	\$4.77	\$4.20	\$4.00	\$3.67	\$3.40	\$3.15	\$2.80	\$2.49	\$2.21	\$2.06
Solutia contract (per million gals)	\$959.85	\$993.00	\$1,076.52	\$881.28	\$779.83	\$921.96	\$976.82	\$992.48	\$981.38	\$684.54
Town contracts (per million gals)	\$959.85	\$993.00	\$1,076.52	\$881.28	\$779.83	\$921.96	\$976.82	\$992.48	\$981.38	\$684.54
Residential Sewer % Change	13.6%	4.9%	9.0%	8.1%	8.0%	12.6%	12.4%	12.4%	7.5%	10.7%

Source: Commission's Approved Rules and Regulations

Table 7
Commission Per Capita Debt
Last Ten Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Outstanding Principal ⁽⁵⁾⁽⁶⁾	\$134,265,667	\$121,778,599	\$126,004,616	\$116,833,740	\$93,332,236	\$89,013,967	\$77,996,972	\$49,489,106	\$32,145,912	\$33,806,478
City Springfield Population	153,060	153,060	153,060	153,060	153,060	152,082	152,082	152,082	152,082	152,082
Town of Ludlow Population ⁽¹⁾	21,103	21,103	21,103	21,103	21,103	22,161	22,410	22,382	21,951	21,946
Per Capita Debt	771	699	723	671	536	511	447	284	185	194
City of Springfield:										
Total Personal Income ⁽²⁾⁽³⁾	\$2,834,365,080	\$2,829,007,980	\$2,868,803,580	\$2,820,011,453	\$2,771,151,300	\$2,704,896,656	\$2,656,348,702	\$2,607,800,748	\$2,559,252,794	\$2,510,704,840
Town of Ludlow:										
Estimated Total Personal Income ⁽³⁾⁽⁴⁾	\$583,371,332	\$583,371,332	\$583,371,332	\$583,371,332	\$583,371,332	\$612,618,684	\$619,502,040	\$618,728,008	\$606,813,444	\$606,675,224
Debt per Personal Income	3.93%	3.57%	3.65%	3.43%	2.78%	2.68%	2.38%	1.53%	1.02%	1.08%

Source:

- (1) from MA DOR
- (2) from City of Springfield CAFR
- (3) Per capita income data from U.S. Census Bureau, American Community Survey
- (4) Estimated TPI was calculated using Ludlow population and estimated per capita income for zip code 01056
- (5) Approximately 10% of the debt will be supported by the Wholesale customers
- (6) Net of bond premium

Table 8
Debt Coverage
Last Ten Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenue										
Beginning revenue cash	\$28,447,735	\$29,905,720	\$24,545,452	\$10,169,064	\$13,957,648	\$15,831,305	\$14,359,980	\$12,878,590	\$14,979,492	\$16,568,114
Deposits to revenue acct	<u>\$65,134,734</u>	<u>\$62,750,659</u>	<u>\$60,793,884</u>	<u>\$60,094,482</u>	<u>\$53,095,118</u>	<u>\$50,770,243</u>	<u>\$55,619,646</u>	<u>\$45,374,834</u>	<u>\$44,796,301</u>	<u>\$41,181,031</u>
Total cash receipts	\$93,582,469	\$92,656,379	\$85,339,336	\$70,263,546	\$67,052,766	\$66,601,548	\$69,979,626	\$58,253,424	\$59,775,793	\$57,749,145
Operating transfers										
To operating accts	\$40,571,463	\$40,666,127	\$39,250,965	\$41,290,761	\$37,302,848	\$43,487,273	\$35,817,651	\$35,896,055	\$33,738,784	\$38,428,924
To debt service reserve	<u>(\$13,242)</u>	<u>(\$236,031)</u>	<u>\$994,454</u>	<u>\$967,540</u>	<u>\$506,951</u>	<u>\$1,142,119</u>	<u>\$1,449,300</u>	<u>\$1,505,300</u>	<u>\$0</u>	<u>\$0</u>
Total operating transfers	\$40,558,221	\$40,430,096	\$40,245,419	\$42,258,301	\$37,809,799	\$44,629,392	\$37,266,951	\$37,401,355	\$33,738,784	\$38,428,924
Net revenue	\$53,024,248	\$52,226,283	\$45,093,918	\$28,005,246	\$29,242,967	\$21,972,156	\$32,712,674	\$20,852,069	\$26,037,009	\$19,320,221
Debt service requirement	\$10,500,118	\$9,886,089	\$9,779,096	\$7,305,143	\$6,673,379	\$5,877,999	\$4,042,476	\$3,050,843	\$2,594,522	\$2,581,900
Debt coverage	505.0%	528.3%	461.1%	383.4%	438.2%	373.8%	809.2%	683.5%	1003.5%	748.3%
Alternate (no begin balance)	234.1%	225.8%	210.1%	244.2%	229.0%	104.5%	454.0%	261.4%	426.2%	106.6%
125% of debt service required	\$13,125,148	\$12,357,611	\$12,223,870	\$9,131,429	\$8,341,724	\$7,347,498	\$5,053,095	\$3,813,554	\$3,243,153	\$3,227,374
140% of debt service required	\$14,700,165	\$13,840,525	\$13,690,735	\$10,227,200	\$9,342,730	\$8,229,198	\$5,659,467	\$4,271,180	\$3,632,331	\$3,614,659

Source: Commission Accounting System

Table 9
Population, Income and Employment
Last Ten Calendar Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
United States										
Total Personal Income (\$000)	\$13,970,242,390	\$13,401,868,693	\$12,981,740,848	\$12,353,777,000	\$11,916,773,000	\$12,225,589,000	\$11,634,322,000	\$10,966,808,000	\$10,224,761,000	\$9,717,173,000
Per Capita Income (\$)	\$44,543	\$42,693	\$41,663	\$39,937	\$38,846	\$40,166	\$38,615	\$36,629	\$34,494	\$33,000
Population	316,128,839	313,914,040	311,591,917	309,330,219	306,771,529	304,374,846	301,290,332	299,398,484	296,410,404	293,656,842
Employment	N/A	179,603,300	175,834,700	173,737,400	174,208,800	181,755,100	180,943,800	178,342,900	174,219,000	170,482,700
New England										
Total Personal Income (\$000)	\$798,765,104	\$763,754,701	\$740,176,699	\$705,912,532	\$684,352,455	\$702,966,446	\$673,337,441	\$631,474,719	\$595,013,214	\$569,707,851
Per Capita Income (\$)	\$54,640	\$52,446	\$51,074	\$48,840	\$47,513	\$48,944	\$42,820	\$44,252	\$41,785	\$40,059
Population	14,618,806	14,562,704	14,492,360	14,453,587	14,403,575	14,362,641	14,259,321	14,269,989	14,239,724	14,221,651
Employment	N/A	9,125,273	9,002,996	8,935,730	8,940,282	9,275,239	9,155,067	9,210,832	8,976,452	8,853,243
Massachusetts										
Total Personal Income (\$000)	\$380,975,860	\$363,459,345	\$353,228,041	\$336,319,665	\$324,495,729	\$333,046,494	\$316,895,851	\$297,754,674	\$279,635,404	\$267,820,574
Per Capita Income (\$)	\$56,923	\$54,687	\$53,261	\$51,304	\$49,788	\$50,897	\$48,995	\$46,255	\$43,702	\$41,799
Population	6,692,824	6,646,144	6,587,536	6,555,466	6,517,613	6,543,595	6,467,915	6,434,389	6,398,743	6,407,283
Employment	N/A	4,250,566	4,168,887	4,130,436	4,113,976	4,251,139	4,198,813	4,214,576	4,113,773	4,056,984
Western Massachusetts⁽¹⁾										
Total Personal Income (\$000)	N/A	\$35,830,064	\$33,513,709	\$32,252,907	\$31,464,101	\$32,150,902	\$30,809,227	\$29,152,369	\$37,650,290	\$26,525,791
Per Capita Income (\$)	N/A	\$43,311	\$40,689	\$39,135	\$38,215	\$39,084	\$37,493	\$35,497	\$33,680	\$32,317
Population	N/A	827,274	823,662	824,138	823,343	822,611	821,736	821,261	820,972	820,811
Employment	N/A	454,490	449,577	446,402	446,278	458,340	460,296	455,890	452,595	449,530

(1) Includes Hampden, Hampshire, Franklin, Berkshire Counties

Source: Bureau of Economic Analysis
Bureau of the Census
Boston Water and Sewer Commission CAFR

Table 10
Demographic and Economic Statistics
2013 Calendar Year End Summary

	Springfield, MA ⁽¹⁾	United States ⁽²⁾
ECONOMY		
Unemployment Rate	11.1%	7%
Recent Job Growth	-0.8%	1.0%
3 Year Average	-0.3%	1.2%
5 Year Average	-0.7%	-0.2%
Future Job Growth*	N/A	1.3%
Sales Tax	6.25%	5.3% ⁽³⁾
Income Taxes	5.3%	5.3%
Income Per Capita	\$18,518	\$28,184
Household Income (Median)	\$31,356	\$51,371
HOUSEHOLD INCOME		
Income less than 15K	15%	13%
Income between 15K and 25K	12%	11%
Income between 25K and 35K	10%	10%
Income between 35K and 50K	12%	14%
Income between 50K and 75K	16%	18%
Income between 75K and 100K	13%	12%
Income between 100K and 150K	15%	13%
Income between 150K and 200K	5%	5%
Income greater than 200K	3%	5%
POPULATION BY OCCUPATION		
Management, business, science, and arts occupations	28%	36%
Service occupations	27%	18%
Sales and office occupations	24%	24%
Natural resources, construction, and maintenance occupations	5%	9%
Production, transportation, and material moving occupations	16%	12%

* Projected growth between 2010 and 2020

(1) Source: U.S. Census Bureau, 2012 American Community Survey

(2) Source: Bureau of Labor Statistics

(3) Estimated based on the middle of the Income Spectrum.

Table 11
Distribution of Customers by Account Type
Last Ten Fiscal Years

Water Accounts	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	40,245	40,274	40,242	40,377	40,246	40,075	40,009	40,017	39,826	n/a
Commercial	2,184	2,190	2,184	2,188	2,188	2,177	2,183	2,190	2,194	n/a
Industrial	92	92	95	97	94	94	92	93	94	n/a
Municipal	147	147	149	143	137	128	124	121	118	n/a
Solutia contract	22	23	23	23	23	23	23	23	23	n/a
Town contracts	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>n/a</u>
Totals	42,696	42,732	42,699	42,834	42,694	42,503	42,437	42,450	42,261	n/a
% Change	-0.1%	0.1%	-0.3%	0.3%	0.4%	0.2%	0.0%	0.4%	---	---
Sewer Accounts	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	35,205	35,224	35,220	35,321	35,192	35,034	34,976	34,987	34,816	n/a
Commercial	1,699	1,707	1,706	1,710	1,709	1,701	1,700	1,703	1,713	n/a
Industrial	105	105	107	108	105	105	108	108	110	n/a
Municipal	92	92	95	94	93	91	84	82	76	n/a
Food Service	70	70	72	74	73	73	73	73	73	n/a
Medical	19	20	20	20	20	20	21	21	21	n/a
Solutia contract	1	1	1	1	1	1	1	1	1	n/a
Town contracts	<u>6</u>	<u>6</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>n/a</u>
Totals	37,197	37,225	37,229	37,336	37,201	37,033	36,971	36,983	36,818	n/a
% Change	-0.1%	0.0%	-0.3%	0.4%	0.5%	0.2%	0.0%	0.4%	---	---

Source: Commission Billing System

**Table 12
Largest Private Employers
Current Year and Nine Years Prior**

<u>Employer</u>	<u>Nature of Business</u>	<u>2014</u>			<u>2005</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Commission Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Commission Employment</u>
BayState Health Systems	Healthcare	8,700	1	13.3%	8,020	1	12.2%
Massachusetts Mutual Financial Group	Insurance	3,977	2	6.1%	4,215	2	6.4%
Sisters of Providence	Healthcare	1,975	3	3.0%	2,200	4	3.4%
Smith & Wesson	Firearms	1,301	4	2.0%	572	8	n/a
Springfield College	Education	1,005	5	1.5%	567	9	0.9%
Springfield Technical Community College	Education	936	6	1.4%	n/a	n/a	n/a
Western New England University	Education	851	7	1.3%	n/a	n/a	n/a
Big Y	Grocery	727	8	1.1%	737	5	1.1%
Peter Pan Bus Lines	Transportation	700	9	n/a	850	8	1.3%
Center for Human Development	Social Services	n/a	n/a	n/a	657	6	1.0%
Solutia Inc.	Chemical	450	10	0.7%	560	10	0.9%
US Postal Service	Mail	n/a	n/a	n/a	2,231	3	3.4%
Union News	Newspaper	n/a	n/a	n/a	657	7	1.0%
		20,622		30.4%	21,266		31.6%

Source: City of Springfield June 30, 2014 Comprehensive Annual Financial Report
Official Statements, Massachusetts Department of Labor and Workforce Development

Table 13
Divisional Breakdown of SWSC Funded (Budgeted) Positions
Last Ten Budget Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007</u>	<u>2006</u>
Administration	8	8	9	8	7	8	7	7	7	7
General Accounting	4	4	4	4	4	5	5	4	6	6
Customer Service	8	8	8	7	7	9	9	10	10	10
Information Systems	5	5	5	4	4	4	4	4	4	4
Engineering	24	23	22	22	21	22	22	22	15	15
Operations management	3	3	3	3	3	5	5	5	5	3
SERTS	0	1	1	1	1	0	0	0	0	0
Water Supply Administration	4	4	4	4	4	4	3	3	3	3
Ludlow Reservoir	6	6	6	6	6	7	7	7	7	7
Provin Mountain	8	8	8	8	8	8	8	7	6	6
West Parish Filters	36	41	41	39	38	44	41	41	38	38
Watershed Management	2	2	3	2	2	0	2	2	2	2
Laboratory	5	5	5	5	5	0	4	3	4	4
Cross Connection Control	5	5	5	5	5	5	5	4	3	3
Warehouse Management	4	5	5	5	5	5	6	6	3	0
Customer Field Service	6	6	7	7	7	9	9	11	11	13
Meters & Field Service	22	21	23	21	21	21	26	20	18	18
Water Quality	18	20	20	19	16	16	15	16	15	15
Water Distribution	33	34	31	32	31	32	31	31	0	0
WW Operations Management	1	1	1	1	1	0	0	0	0	0
Sewer Collection Services	36	28	29	27	27	29	29	32	0	0
Industrial Pretreatment	2	2	2	2	2	2	2	3	3	3
FOG	2	2	3	3	1	1	0	0	0	0
Wastewater Treatment	1	1	1	1	1	1	1	1	1	1
Totals	243	243	246	236	227	237	241	239	161	158

* Municipal Agreement with the City of Springfield to provide water and sewer services was terminated and 67 City DPW employees were transferred to SWSC in Fiscal Year 2007.

Source: Commission Budget Documents

Table 14
Water and Sewer Distribution System
Year-End 2014 Summary

Water Distribution System

<u>Appurtenances</u>		<u>Water Main City Wide</u>	
Hydrants	6,286	Total Linear Feet	3,134,728
Valves	18,927	Total Linear Miles	594
Meters	45,747		
		Water Booster Pump Stations	4

Sewer Collection System

<u>Appurtenances</u>		<u>Sewer Pipes City Wide</u>	
CSO Regulator Structures & Outfalls	23	Total Linear Feet	2,376,000
Manholes	11,072		
Regulators	22	Combined Sewer Miles	138
Flood Control Gates	42	Separated Sewer Miles	<u>312</u>
		Total Sewer Miles	450
		Sewage Pumping Stations	26
		Flood Control Pumping Stations	7
		Active CSO's	23

Source: Commission's GIS System

Table 15
Insurance Coverage
2014 - 2015

<u>Provider</u>	<u>Policy Period</u>	<u>Type of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
ACE American Insurance Company	4/2/14 - 4/2/15	Property	\$ 100,000,000	\$ 183,092
Navigators	4/2/14 - 4/2/15	Special Excess Liability	\$ 15,000,000	\$ 68,460
STARR Indemnity & Liability Company	4/2/14 - 4/2/15	Excess Liability	\$ 10,000,000	\$ 93,705
Safety Insurance Company	4/2/14 - 4/2/15	Automobile	\$ 1,000,000	\$ 3,007
Hanover Insurance Group	4/2/14 - 4/2/15	Crime	\$ 1,000,000	\$ 3,905

Source: Commission's Insurance Records

**Table 16
Water and Sewer Sales
Last Nine Fiscal Years**

Water Revenues

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$12,876,718	\$13,064,819	\$11,890,448	\$12,089,818	\$10,584,622	\$10,187,463	\$10,161,529	\$9,506,574	\$9,684,851
Commercial	3,324,153	3,322,916	3,268,464	3,157,106	2,880,290	2,815,316	2,811,971	2,557,739	2,486,035
Industrial	962,255	944,594	1,057,444	1,327,881	879,719	562,681	430,509	329,145	283,583
Municipal	332,415	389,889	358,006	362,457	174,344	149,246	104,840	80,358	75,896
Solutia contract	5,750,299	4,732,387	5,252,409	4,453,112	3,227,071	3,114,315	3,595,200	2,998,886	2,886,944
Town contracts	<u>3,816,647</u>	<u>3,675,537</u>	<u>3,105,189</u>	<u>3,067,939</u>	<u>3,056,140</u>	<u>2,273,571</u>	<u>2,583,694</u>	<u>2,098,080</u>	<u>2,127,224</u>
Total	<u>\$27,062,487</u>	<u>\$26,130,142</u>	<u>\$24,931,961</u>	<u>\$24,458,313</u>	<u>\$20,802,186</u>	<u>\$19,102,593</u>	<u>\$19,687,744</u>	<u>\$17,570,782</u>	<u>\$17,544,532</u>
% increase	3.6%	4.8%	1.9%	17.6%	8.9%	-3.0%	12.0%	0.1%	

Sewer Revenues

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$18,299,524	\$18,088,104	\$16,268,439	\$16,029,451	\$13,445,959	\$12,316,969	\$11,328,219	\$10,817,077	\$10,792,666
Commercial	2,719,577	2,560,645	2,462,284	2,293,367	2,380,012	2,293,384	2,207,961	1,894,757	1,849,151
Industrial	806,654	836,129	733,930	677,357	753,881	751,760	970,302	604,245	502,732
Municipal	276,567	261,290	250,156	245,215	222,698	205,547	188,571	143,082	104,054
FoodServ	184,378	184,039	196,404	180,897	227,807	213,053	196,609	176,888	166,967
Medical	760,560	790,687	762,874	673,337	629,875	556,734	480,404	458,210	451,769
Solutia contract	2,206,801	2,185,406	2,210,627	1,980,404	1,999,189	1,838,090	2,122,526	1,662,295	1,734,275
Town contracts	<u>4,224,251</u>	<u>4,479,628</u>	<u>2,930,462</u>	<u>5,747,728</u>	<u>5,318,784</u>	<u>5,621,189</u>	<u>5,287,283</u>	<u>4,920,016</u>	<u>4,546,105</u>
Total	<u>\$29,478,312</u>	<u>\$29,385,928</u>	<u>\$25,815,176</u>	<u>\$27,827,757</u>	<u>\$24,978,205</u>	<u>\$23,796,726</u>	<u>\$22,781,875</u>	<u>\$20,676,570</u>	<u>\$20,147,718</u>
% increase	0.3%	13.8%	-7.2%	11.4%	5.0%	4.5%	10.2%	2.6%	

2005 data is not readily available.

Source: Commission Billing System

Table 17
Capital Spending by Category
Last Ten Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Totals</u>	<u>% of Total</u>
Water	\$ 4,744,033	\$ 7,631,526	\$ 10,833,266	\$ 6,845,872	\$ 9,650,336	\$ 4,537,565	\$ 4,425,890	\$ 6,114,959	\$ 9,336,461	\$ 5,566,466	\$ 64,942,341	36%
Sewer	24,317,434	10,708,220	6,357,393	11,232,806	16,100,419	17,543,689	21,554,038	9,040,002	1,952,649	2,410,590	96,899,806	54%
Power Generation	652,885	249,872	117,351	4,723	109,068	990,465	353,217	16,101	-	-	1,840,797	1%
Support	<u>2,465,150</u>	<u>3,444,255</u>	<u>1,831,025</u>	<u>625,839</u>	<u>1,837,328</u>	<u>1,441,007</u>	<u>1,849,204</u>	<u>2,262,880</u>	<u>1,022,106</u>	<u>705,284</u>	<u>15,018,928</u>	<u>8%</u>
Total	\$ <u>32,179,502</u>	\$ <u>22,033,873</u>	\$ <u>19,139,035</u>	\$ <u>18,709,240</u>	\$ <u>27,697,151</u>	\$ <u>24,512,726</u>	\$ <u>28,182,349</u>	\$ <u>17,433,942</u>	\$ <u>12,311,216</u>	\$ <u>8,682,340</u>	\$ <u>178,701,872</u>	<u>100%</u>

Source: Commission's Accounting System