

Springfield

Water and Sewer Commission

Springfield, Massachusetts



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

SPRINGFIELD WATER AND Sewer Commission
Springfield, Massachusetts

Comprehensive Annual Financial Report
For the Year Ended June 30, 2015



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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November 6, 2015

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, 2015. 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, 2015.

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 required for fiscal year 2015 because the Commission's federal expenditures were above \$500,000.

In July 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 ratepayers 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 2015, the plant output was 21,800 Megawatts. The Com-



mission 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 37,200 sewer accounts. The sewer collection consists of 151 miles of combined sewer (sewer and stormwater pipe), 310 miles of separated sewer pipe, 23 combined sewer overflow outfalls, 11,100 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, 2018
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 to June 30, 2019 with an option to terminate earlier. 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, 2015 that expires on June 30, 2025. 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 bank of the Connecticut River. Springfield is centrally located with Boston 90 miles to the east, Hartford 30 miles north and New York City 150 miles northwest. 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 and home to 153,060 people behind the Cities of Boston and Worcester and the fourth largest City in New England.

Springfield 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 Mass Mutual 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"

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 of 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 moved 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, Santander Bank, Citizens Bank, Berkshire Bank and TD Bank are the largest of these institutions.

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.

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.

In July of 2013, MGM International approved the host community agreement with the City of Springfield and has been awarded a state gaming license for its proposed \$800 million resort casino complex to be built in the City's downtown neighborhood. Construction is anticipated in the years 2016-2017.

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 College. 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 Council, 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 including preliminary design for the Intake Dam
- Water Treatment Plant Facilities Improvements
- Construction of a 54"/48" South Transmission main from Provin Mountain storage facility to the Connecticut River
- Water Main Replacement in conjunction with the 2015-2016 infrastructure improvement project



Wastewater

- Collection System Rehabilitation of 21 prioritized streets
- Collection System cleaning, condition assessment and System Mapping
- 2015 infrastructure projects
- Design and construction for the Connecticut River crossing and York Street pump station
- Wastewater Treatment Plant electrical distribution upgrade
- Main Interceptor rehabilitation project

Power Generation

- Power Generation System Improvements and facilities planning

Support

- Implementation of an Asset Management Program
- Replacement of Central SCADA System at Provin Mountain storage tanks
- 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 77 % 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

**2016-2018 Capital Improvement Program
Funding Sources**

Funding Source	2016	2017	2018
Revenues and Reserves	\$ 8,933,500	\$ 10,282,000	\$ 8,415,000
Bonds*	\$ 9,255,000	\$ 11,805,000	\$ 72,100,000
Total	\$ 18,188,500	\$ 22,087,000	\$ 80,515,000

*Includes SRF Funding

Table II

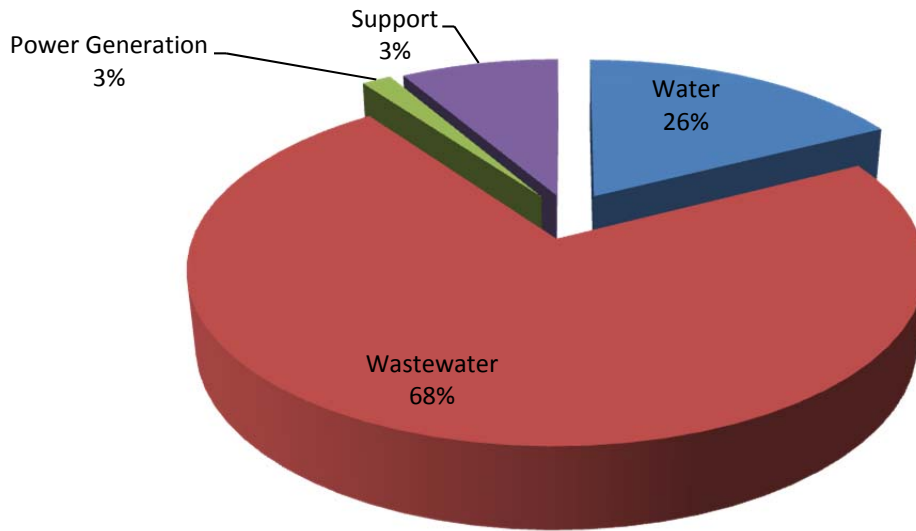
**2016-2018 Capital Improvement Program
Funding of Activity Areas**

Activity Area	2016	2017	2018
Water	\$ 7,035,000	\$ 8,605,000	\$ 15,965,000
Wastewater	\$ 9,453,500	\$ 9,322,000	\$ 63,190,000
Power Generation	\$ 500,000	\$ 2,700,000	\$ 200,000
Support	\$ 1,200,000	\$ 1,460,000	\$ 1,160,000
Total	\$ 18,188,500	\$ 22,087,000	\$ 80,515,000

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 & 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 68% Wastewater improvements, 26% Water improvements, 3% Power Generation projects and 3% Support projects.

2016-2018 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 \$120,790,500 for the three year period 2016-2018. Expenditures are divided in four categories: Water

Projects total \$31,605,000, Sewer Projects total \$81,965,500, Power Generation Projects total \$3,400,000 and other Support Projects total \$3,820,000.

Funding approval for the Fiscal Year 2016 Capital Projects total \$18,188,500. The spending plan is as follows: Water Projects total \$7,035,000 (39%), Sewer Projects total \$9,453,500 (52%), Power Generation Projects total \$500,000 (3%), and other Support Projects total \$1,200,000 (6%).

The various projects scheduled in fiscal year 2016 include the continued construction of replacing a six mile 54" Transmission Main, the design for the sewer Connecticut River crossing, both Water and Wastewater Treatment Plant facilities improvements, a water and sewer rehabilitation project, and the repair and replacement of sewer and drain pipe. Historically the Commission replaces over 3,000 feet of water distribution pipe per year.

Acknowledgements

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, 2014

Executive Director/CEO

SPRINGFIELD WATER AND SEWER COMMISSION

Commissioners

Daniel Rodriguez, Chair

William E. Leonard

Vanessa Otero

Senior Management

Katherine J. Pedersen, Executive Director

Robert A. Stoops, P.E. Chief Engineer

Anthony J. Basile, Comptroller

Domenic P. Pellegrino, Finance Director/Procurement Officer

Joshua D. Schimmel, Wastewater Operations Director

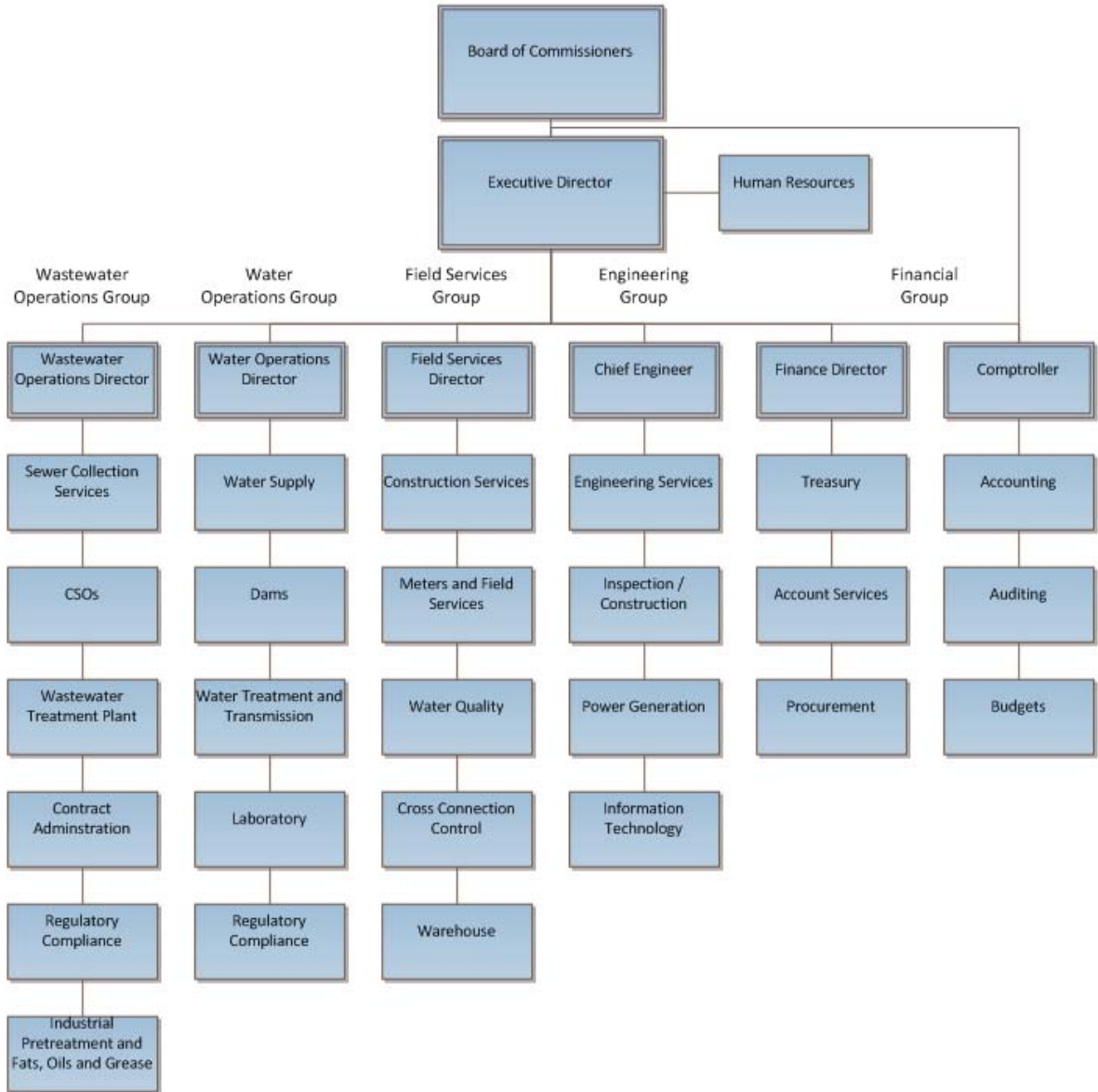
Daniel J. DiRienzo Field Services Director

Thomas D. LeCourt Drinking Water Operations Director

Susan Tower, 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, 2015 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, 2015, 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, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions 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 50 through 51 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2015 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Commission's internal control over financial reporting and compliance.

Melanson Heath

November 6, 2015

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, 2015.

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, 2015, it shows our net worth of \$120,176,372, which is comprised of \$118,678,008 invested in capital assets, \$36,368,236 restricted for other purposes, namely restricted cash and inventory, and \$(34,869,872) 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, 2015 was a change of \$6,842,142.

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>2015</u>	<u>2014</u>
Current Assets	\$ 111,035,248	\$ 76,587,523
Noncurrent Assets	3,057,577	3,168,102
Capital Assets	<u>271,839,662</u>	<u>250,215,656</u>
Total Assets	385,932,487	329,971,281
Deferred Outflows	<u>69,219,783</u>	<u>3,485,237</u>
Total Assets and Deferred Outflows	455,152,270	333,456,518
Current Liabilities	16,550,112	13,494,070
Noncurrent Liabilities	<u>237,674,191</u>	<u>131,432,022</u>
Total Liabilities	254,224,303	144,926,092
Deferred Inflows	<u>80,751,595</u>	<u>75,196,196</u>
Total Liabilities and Deferred Inflows	334,975,898	220,122,288
Net Investment in Capital Assets	118,678,008	124,060,618
Restricted - Other Purposes	36,368,236	31,651,795
Unrestricted	<u>(34,869,872)</u>	<u>(42,378,183)</u>
Total Net Position	<u>\$ 120,176,372</u>	<u>\$ 113,334,230</u>

	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 67,421,360	\$ 64,332,287
Operating Expenses	<u>(54,893,356)</u>	<u>(51,890,194)</u>
Operating Income	12,528,004	12,442,093
Nonoperating Revenues (Expenses)	(2,998,803)	(3,656,584)
Special Items	<u>(2,687,059)</u>	<u>(13,185,039)</u>
Increase (Decrease) in Net Position	6,842,142	(4,399,530)
Beginning Net Position	<u>113,334,230</u>	<u>117,733,760</u>
Ending Net Position	<u>\$ 120,176,372</u>	<u>\$ 113,334,230</u>

C. FINANCIAL HIGHLIGHTS

The Commission ended the year with operating income of approximately \$12.6 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 2015, 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 \$(240,000) less than budget. Wholesale water charges and fees were also less than budget by approximately \$(1.6 million). Power generation revenues were greater than estimates by approximately \$50,000. These and other factors resulted in total operating revenue of approximately \$67.4 million in fiscal year 2015, approximately \$(1.7 million) less than budget, and \$3 million more than the prior year.

Operating expenses were less than budget by approximately \$3.2 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 anticipated debt service interest payments that did not materialize.

In fiscal year 2015, 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 \$1.5 million on the statement of revenues, expenses and changes in fund net position. Additional grant revenue will be recognized in fiscal year 2016 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 \$(2,687,059) for fiscal year 2015.

As a result of the key elements described above the activities for the year resulted in a change in net position of \$6,842,142.

D. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year end amounted to \$271,839,662 (net of accumulated depreciation), an increase of approximately \$21.6 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 \$(7.9 million).
- \$2.2 million in Washburn Street CSO separation costs.
- \$11.7 million in South Transmission Main project.
- \$2 million in Main Interceptor design project.
- \$150,000 in hydrant projects.
- \$974,000 in meter replacements.
- \$723,000 in SCADA system projects.
- \$3.3 million in sewer main rehabilitation projects.
- Water main project of \$1.9 million.
- \$338,000 in transmission system rehabilitations.
- \$3.1 million in collection system assessment and rehabilitation.
- New vehicles and equipment purchased of \$1.5 million.
- Computer software and equipment purchases of \$570,000.
- Various general building improvements of \$146,000.
- Land acquisition of \$230,000.
- Various other projects of \$693,000.

Additional information on the Commission’s capital assets can be found at Footnote 10 on page 34.

Change in credit rating. During the fiscal year, Standard & Poors upgraded the Commission’s credit rating from A+ to AA-.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$179,270,356, all of which was backed by dedicated revenues of the Commission.

Additional information on the Commission's long-term debt can be found at Footnote 12 on page 35.

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, 2015

ASSETS

Current:

Cash	\$ 47,738,680
Restricted cash	38,195,968
Accounts receivable, net of allowance for uncollectibles	8,168,609
Intergovernmental receivable	16,215,748
Inventory, net of allowance	<u>716,243</u>
Total current assets	111,035,248

Noncurrent:

Intergovernmental receivable, net of current portion	1,540,214
Inventory held by others	1,022,136
Health insurance deposit	495,227
Capital assets, net of accumulated depreciation	211,681,734
Land and construction in progress	<u>60,157,928</u>
Total noncurrent assets	274,897,239

DEFERRED OUTFLOWS OF RESOURCES 69,219,783

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 455,152,270

LIABILITIES

Current:

Accounts payable	4,823,534
Accrued payroll and withholdings	256,734
Accrued interest payable	1,794,509
Current portion of loans payable	9,247,493
Current portion of capital lease payable	277,714
Current portion of accrued compensated absences	<u>150,128</u>
Total current liabilities	16,550,112

Noncurrent:

Loans payable, net of current portion	170,022,863
Capital lease payable, net of current portion	158,328
Accrued compensated absences, net of current portion	1,189,385
Net OPEB obligation	2,599,563
Net pension liability	63,437,281
Other accrued liabilities	<u>266,771</u>
Total noncurrent liabilities	237,674,191

DEFERRED INFLOWS OF RESOURCES 80,751,595

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 334,975,898

NET POSITION

Net investment in capital assets 118,678,008

Restricted:

Reserve for inventory	1,739,379
Reserve for debt covenants and scholarships	34,628,857

Unrestricted (34,869,872)

TOTAL NET POSITION \$ 120,176,372

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, 2015

Operating Revenues:

Water and sewer usage	\$ 67,168,792
Other	252,568
	67,421,360
Total Operating Revenues	67,421,360

Operating Expenses:

Salaries and wages	12,845,594
Employee benefits	9,877,386
Operations	22,166,166
Intergovernmental	540,163
Capital outlay	991,480
Depreciation and amortization	7,951,427
Other	521,140
	54,893,356
Total Operating Expenses	54,893,356
Operating Income	12,528,004

Nonoperating Revenues (Expenses):

Interest income	15,027
Interest expense	(4,738,350)
Grant reimbursement revenue	1,643,475
Other	81,045
	(2,998,803)
Total Nonoperating Revenues (Expenses), Net	(2,998,803)
Excess revenues before deferral adjustments	9,529,201
Excess revenues used to fund deferrals	(2,687,059)
Change in Net Position	6,842,142
Net Position at Beginning of Year	113,334,230
Net Position at End of Year	\$ 120,176,372

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, 2015

<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 66,624,900
Payments to vendors	(32,680,761)
Payments to employees	<u>(10,302,354)</u>
Net Cash Provided By Operating Activities	23,641,785
<u>Cash Flows From Noncapital Financing Activities:</u>	
Intergovernmental reimbursements	283,749
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(29,394,629)
Proceeds from intergovernmental loans and grants	14,414,715
Proceeds from bonds and loans	45,083,683
Principal payments on bonds and loans	(6,834,756)
Refunding of bonds	(17,102,960)
Issuance of capital leases	786,925
Principal payments on capital leases	(350,883)
Payments of interest	<u>(5,266,411)</u>
Net Cash Provided By Capital and Related Financing Activities	1,335,684
<u>Cash Flows From Investing Activities:</u>	
Receipt of investment income	<u>15,027</u>
Net Change in Cash and Short-Term Investments	25,276,245
Cash and Short Term Investments, Beginning of Year	<u>60,658,403</u>
Cash and Short Term Investments, End of Year	<u>\$ 85,934,648</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 12,528,004
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization	7,951,427
Changes in assets and liabilities:	
Accounts receivable	(715,415)
Inventory	244,465
Deferred outflows	(101,347)
Accounts payable and accrued payroll	866,311
Accrued compensated absences	(42,371)
Net OPEB obligation	1,338,500
Net pension liability	1,456,743
Other accrued liabilities	<u>115,468</u>
Net Cash Provided By Operating Activities	<u>\$ 23,641,785</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, 2015, \$456,671 of the Commission's bank balance of \$87,540,483 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, 2015:

Reserve Funds:	
Operating Reserve Fund	\$ 7,619,584
Renewal/Replacement Fund	1,000,000
Debt Service Fund	12,963,845
Debt Service Reserve Fund	12,963,845
Other Funds:	
Project Accounts	3,567,111
Scholarship Trust Fund	<u>81,583</u>
Total	<u>\$ 38,195,968</u>

5. Accounts Receivable

Accounts receivable consist of the following at June 30, 2015:

Customer Accounts:	
Billed water, sewer and wastewater regional	\$ 4,374,664
Less: allowances	<u>(610,773)</u>
Total billed	3,763,891
Unbilled water (including power generation) and sewer	5,008,796
Adjustment to wastewater regional and sewer pump station for actual usage through June 30, 2015	<u>(604,078)</u>
Total customer accounts	<u>\$ 8,168,609</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, 2015. These funds are expected to be drawn down as project costs are incurred in fiscal year 2016.	\$ 16,105,223	\$ -
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>110,525</u>	<u>1,540,214</u>
Total Balance June 30, 2015	<u>\$ 16,215,748</u>	<u>\$ 1,540,214</u>

7. Inventory for Consumption

This inventory balance at June 30, 2015 consists of the following:

Fuel inventory (gasoline and diesel)	\$ 54,362
Materials inventory (parts and supplies)	831,598
Less adjustment for obsolete and slow moving materials inventory	<u>(169,717)</u>
Total	<u>\$ 716,243</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 position 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, 2015:

Unamortized refunding of debt	\$ 951,580
Net difference between projected and actual pension plan investment earnings	101,347
Deferred charges	<u>68,166,856</u>
Total Deferred Outflows	\$ <u>69,219,783</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, net OPEB obligation, and net pension liability. 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 position 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:

	06/30/14 <u>Restated</u>	Increase <u>(Decrease)</u>	06/30/15
<u>Deferred Charges</u>			
Accrued workers compensation	\$ 151,303	\$ 115,468	\$ 266,771
Accrued compensated absences	1,381,884	(42,371)	1,339,513
Net OPEB obligation	1,261,063	1,338,500	2,599,563
Net pension liability	61,980,538	1,456,743	63,437,281
Privatization costs	<u>623,487</u>	<u>(99,759)</u>	<u>523,728</u>
Total Deferred Charges	<u>\$ 65,398,275</u>	<u>\$ 2,768,581</u>	<u>\$ 68,166,856</u>
<u>Deferred Credits</u>			
Capital improvements, net of depreciation	\$ 33,993,833	\$ (1,165,376)	\$ 32,828,457
Principal debt payments	40,707,136	6,720,775	47,427,911
Group insurance deposit	<u>495,227</u>	<u>-</u>	<u>495,227</u>
Total Deferred Credits	<u>\$ 75,196,196</u>	<u>\$ 5,555,399</u>	<u>\$ 80,751,595</u>
Net change for year		(2,786,818)	
Less privatization costs included in amortization expense		<u>99,759</u>	
Excess revenues used to fund deferrals		<u>\$ (2,687,059)</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, 2015 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Convert to Capital Assets	Ending Balance
Capital assets, being depreciated:					
Furniture and fixtures	\$ 6,734	\$ -	\$ -	\$ 1,336	\$ 8,070
Vehicles and equipment	8,405	787	(480)	850	9,562
Buildings and improvements	6,361	-	-	2,393	8,754
Infrastructure	<u>273,285</u>	<u>-</u>	<u>-</u>	<u>55,325</u>	<u>328,610</u>
Total capital assets, being depreciated	294,785	787	(480)	59,904	354,996
Less accumulated depreciation for:					
Furniture and fixtures	(3,928)	(601)	-	-	(4,529)
Vehicles and equipment	(6,697)	(887)	480	-	(7,104)
Buildings and improvements	(1,509)	(298)	-	-	(1,807)
Infrastructure	<u>(123,808)</u>	<u>(6,066)</u>	<u>-</u>	<u>-</u>	<u>(129,874)</u>
Total accumulated depreciation	<u>(135,942)</u>	<u>(7,852)</u>	<u>480</u>	<u>-</u>	<u>(143,314)</u>
Total capital assets, being depreciated, net	158,843	(7,065)	-	59,904	211,682
Capital assets, not being depreciated:					
Land	5,103	-	-	318	5,421
Construction in progress	<u>86,270</u>	<u>28,689</u>	<u>-</u>	<u>(60,222)</u>	<u>54,737</u>
Total capital assets, not being depreciated	<u>91,373</u>	<u>28,689</u>	<u>-</u>	<u>(59,904)</u>	<u>60,158</u>
Capital assets, net	<u>\$ 250,216</u>	<u>\$ 21,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,840</u>

11. Capital Lease Obligations

The Commission is the lessee of certain equipment under capital leases expiring in various years through 2017. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2015:

2016	\$ 284,244
2017	<u>160,270</u>
Total minimum lease payments	444,514
Less amounts representing interest	<u>(8,472)</u>
Present Value of Minimum Lease Payments	<u>\$ 436,042</u>

12. 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. As of June 30, 2015 all the debt issued through the City of Springfield has been paid in full.

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, 2015 follows:

	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s)%</u>	<u>Loan Balance</u> <u>Outstanding</u> <u>June 30, 2015</u>	<u>Bond</u> <u>Premium</u> <u>Amortization</u>	<u>Total</u> <u>Balance</u> <u>June 30, 2015</u>
<u>Issued Through Water and Sewer</u>					
<u>Commission:</u>					
Sewer (MCWT 94-24 / 95-07 / 98-133)	08/01/20	1.00 - 2.75	2,357,516	-	2,357,516
Sewer (United Water)	10/01/20	Various	493,957	-	493,957
Revenue bonds (refunding)	11/01/21	4.0 - 5.0	5,210,000	-	5,210,000
Sewer CSO (MCWT CW-01-39)	08/01/22	1.00 - 2.75	1,628,425	-	1,628,425
Revenue bonds	07/15/26	4.25 - 5.0	1,730,000	-	1,730,000
Revenue bonds	07/15/26	3.0 - 5.0	15,245,000	2,751,683	17,996,683
Revenue bonds	10/15/28	4.0 - 5.75	11,060,000	30,577	11,090,577
Sewer CSO (MCWT CW-08-36)	07/15/30	2.00	8,094,018	-	8,094,018
Revenue bonds	11/15/30	3.0 - 5.0	21,840,000	1,751,067	23,591,067
Sewer CSO (MCWT CW-08-36-A)	07/15/32	2.00	5,635,582	-	5,635,582
Sewer CSO (MCWT CW-10-06)	07/15/32	2.00	1,575,637	-	1,575,637
Sewer CSO (MCWT CW-11-01)	07/15/32	2.00	5,877,700	-	5,877,700
Sewer CSO (MCWT CW-11-22)	01/15/33	2.00	1,520,811	-	1,520,811
Revenue bonds	07/15/34	3.0 - 5.0	25,615,000	1,472,000	27,087,000
Sewer CSO (MCWT CW-12-03)	01/15/35	2.00	19,660,542	-	19,660,542
Sewer CSO (MCWT CW-13-16)	01/15/35	2.00	21,645,275	-	21,645,275
Sewer CSO (MCWT CW-06-27)	07/15/37	2.41	24,075,566	-	24,075,566
Total Long-Term Debt			<u>\$ 173,265,029</u>	<u>\$ 6,005,327</u>	<u>\$ 179,270,356</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 public water and 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, 2015:

Loan Number	Issue Date	Original Loan Balance	Principal Subsidy	Balance 06/30/15
94-24 (Part II)/ 95-07 / 98-133	11/01/00	6,572,640	(1,262,515)	2,357,516
CW-01-39	11/26/02	4,365,122	(660,576)	1,628,425
CW-06-27	12/18/07	27,763,102	-	24,075,566
CW-08-36	07/08/10	12,352,073	(2,607,968)	8,094,018
CW-08-36-A	06/13/12	6,200,000	-	5,635,582
CW-10-06	06/13/12	3,176,651	(1,110,353)	1,575,637
CW-11-01	06/13/12	7,304,701	(695,563)	5,877,700
CW-11-22	05/22/13	1,860,000	(203,737)	1,520,811
CW-12-03	12/31/13	20,497,831	(837,289)	19,660,542
CW-13-16	05/30/15	21,645,275	(942,314)	21,645,275

D. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding (including bond premium amortization) as of June 30, 2015 are as follows:

	Principal	Interest	Total
2016	\$ 9,247,493	\$ 4,460,129	\$ 13,707,622
2017	9,486,239	4,207,932	13,694,171
2018	9,721,633	3,966,388	13,688,021
2019	9,943,638	3,708,605	13,652,243
2020	10,207,772	3,447,635	13,655,407
2021 - 2025	49,226,034	12,777,087	62,003,121
2026 - 2030	45,109,773	6,095,298	51,205,071
Thereafter	<u>36,327,774</u>	<u>1,906,302</u>	<u>38,234,076</u>
Total	<u>\$ 179,270,356</u>	<u>\$ 40,569,376</u>	<u>\$ 219,839,732</u>

E. Long-Term Debt Activity

The following summarizes activity in long-term obligations during 2015 (in thousands):

	Balance 07/01/14 <u>Restated</u>	<u>Increase</u>	<u>Decrease</u>	Balance 06/30/15	Less Current Portion	Equals Long -Term Portion
<u>Long-Term Debt:</u>						
Loans Payable:						
Issued through Commission	\$ 136,062	\$ 66,730	\$ (23,522)	\$ 179,270	\$ (9,248)	\$ 170,022
Issued through City	417	-	(417)	-	-	-
Other:						
Capital lease payable	-	787	(351)	436	(278)	158
Accrued compensated absences	1,382	195	(238)	1,339	(150)	1,189
Net OPEB obligation	1,261	1,339	-	2,600	-	2,600
Net pension liability	61,981	1,457	-	63,438	-	63,438
Accrued workers compensation	<u>151</u>	<u>116</u>	<u>-</u>	<u>267</u>	<u>-</u>	<u>267</u>
Total	<u>\$ 201,254</u>	<u>\$ 70,624</u>	<u>\$ (24,528)</u>	<u>\$ 247,350</u>	<u>\$ (9,676)</u>	<u>\$ 237,674</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, 2015.

G. Advance Refunding

On October 24, 2014 the Commission issued refunding revenue bonds in the amount of \$15,245,000 (interest rate ranging from 3% - 5%), to advance refund \$5,180,000 of 2003 bonds with an interest rate of 4% and \$11,605,000 of 2006 bonds with an interest rate of 5%. The 2003 and 2006 bonds mature on July 1, 2023 and July 15, 2026 and are redeemable July 1, 2013 and July 15, 2016, respectively. The refunding bonds were issued at 119% and, after paying issuance costs of \$167,437, the net proceeds were \$17,996,683. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 2003 and 2006 bonds are called on November 24, 2014 and July 15, 2016, respectively. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the Commission's financial statements.

As a result of the advance refunding, the Commission reduced its total debt service cash flow requirements by \$2,408,285 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,193,000.

Defeased debt still outstanding at June 30, 2015 is \$11,605,000.

13. Restricted Net Position

The balance in restricted net position of \$36,368,236 represents the restricted cash balance for required reserves and scholarships of \$34,628,857 and the total value of inventory of \$1,739,379.

14. Subsequent Events

Debt – In May 2015, the Commission signed an interim anticipation note for a CSO project through the Massachusetts Clean Water Trust. The loan amount is \$20,148,628, carries an interim interest rate of 0.09% and must be converted to a permanent loan by December 2016.

15. 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.

Outstanding Legal Issue – There is a pending legal issue in which the Commission is involved. The amount of the claim is material to the Commission’s financial statements; however, the outcome cannot be determined at this time. As a result, no liability has been recorded in the Commission’s financial statements.

Sewer Overflow - In September of 2014 the Commission was issued Administrative Order Docket No. 14-007 (AO) by the United States Environmental Protection Agency (USEPA). The AO details acceptance of the Commission's comprehensive Integrated Wastewater Plan (IWP) that addresses all wastewater infrastructure as it relates to operation and maintenance, sustainable renewal, and regulatory compliance. The AO specifically required the submittal of a work plan for the Phase 2 York Street Pump Station and River Crossing CSO Project by December 31, 2014. That work plan was submitted on time. The AO further requires completion of the project by December 31, 2020. The Commission has contracted with engineers and has begun the design of this project and anticipates project completion pursuant to the December 31, 2020 requirement. The Commission is also required to and intends to provide a work plan for the Phase 3 Locust Transfer Structure and Flow Optimization of the Mill River CSO Project by December 31, 2019. Additionally, the Commission has initiated other projects identified in the IWP but not identified in the AO. These projects include annual system renewal projects as well as the Main Intercepting Sewer Rehabilitation and CSO Outfall Improvements Project. Both projects address needs based on prioritization of risk and other key factors utilizing the Commission's asset management system.

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 June 30, 2015 the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$200,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2015, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$3.7 million, the Trust was in a surplus position of approximately \$24.3 million.

16. 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 bene-

fits, 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 17, 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 2015 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, 2015, 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)	\$ 1,586
Interest on net OPEB obligation	44
Adjustment to ARC	<u>(37)</u>
Annual OPEB cost	1,593
Contributions made	<u>(254)</u>
Increase in net OPEB obligation	1,339
Net OPEB obligation - beginning of year	<u>1,261</u>
Net OPEB obligation - end of year	<u><u>\$ 2,600</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:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$ 1,593	16%	\$ 2,600
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.

In August 2015, the Commission voted to establish an OPEB trust fund under Massachusetts General Law Chapter 32B, Section 20 and made an initial transfer of approximately \$430,000 into the fund.

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%.

17. Retirement System

The Commission follows the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, 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 pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. 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. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City payroll on January 1, 1978, (3) voluntarily left City/Commission employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, mem-

bers voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Commission's contribution to the System for the year ended June 30, 2015 was \$3,902,120, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Commission reported a liability of \$63,437,281 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 (or as of that date). The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Commission's proportion was 8.67 percent.

For the year ended June 30, 2015, the Commission recognized pension expense of \$1,355,396. In addition, the Commission reported deferred outflows of resources of \$101,347 for the net difference between the projected and actual earnings on pension plan investments.

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 25,337
2017	25,337
2018	25,337
2019	<u>25,336</u>
Total	\$ <u>101,347</u>

Actuarial assumptions: The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: not explicitly assumed
 Salary increases: 4.0% per year
 Investment rate of return: 7.875%

Mortality rates were based on RP-2000 table with scale AA (gender distinct).

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.75%
Small/Mid Cap Equities	3.50%	8.00%
International Equities (Unhedged)	16.00%	8.25%
Emerging International Equities	6.00%	9.50%
High-Yield Bonds	1.50%	6.00%
Bank Loans	1.50%	6.25%
EMD (External)	1.00%	7.00%
EMD (Local Currency)	2.00%	7.25%
TIPS	3.00%	4.50%
Long Treasuries	10.00%	4.25%
Private Equity	10.00%	9.75%
Private Debt	4.00%	8.25%
Real Estate (Core)	10.00%	6.50%
Hedge Funds	9.00%	7.00%
Timber/Natural Resources	4.00%	6.88%
Portfolio Completion	4.00%	N/A
Total	<u>100.00%</u>	7.14%
Inflation		Not explicitly stated
Expected arithmetic nominal return		<u>7.14%</u>

Discount Rate: The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.875 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.875%) or 1 percentage-point higher (8.875%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.875%)</u>	<u>Current Discount Rate (7.875%)</u>	<u>1% Increase (8.875%)</u>
June 30, 2015	\$ 72,706	\$ 63,437	\$ 55,429

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

18. Transactions with City of Springfield

Other than the retirement system contribution noted above, the Commission's fiscal year 2015 transactions with the City consist of payments for Police Department services of \$796,880, for retiree health insurance of \$230,836, and other City department services and fees totaling \$1,055.

19. 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 2015 was approximately \$900,000.
- 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, 2015, the letter of credit was approximately \$20.4 million.

SPRINGFIELD WATER AND SEWER COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress
 June 30, 2015
 (Unaudited)

Other Post-Employment Benefits

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

See Independent Auditors' Report.

SPRINGFIELD WATER AND SEWER COMMISSION

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

(Unaudited)

Springfield Retirement System:	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	<u>8.67%</u>
Proportionate share of the net pension liability for the most recent measurement date	\$ <u>63,437,281</u>
Covered-employee payroll for the most recent measurement date	\$ <u>12,459,783</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>509.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>28.83%</u>

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

SPRINGFIELD WATER AND SEWER COMMISSION

SCHEDULE OF CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

(Unaudited)

Springfield Retirement System:	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 3,902,120
Contributions in relation to the contractually required contribution	<u>3,902,120</u>
Contribution deficiency (excess)	\$ <u>-</u>
Covered-employee payroll for the current fiscal year	<u>10,512,190</u>
Contributions as a percentage of covered-employee payroll	<u>37.12%</u>

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

SPRINGFIELD WATER AND SEWER COMMISSION

SCHEDULE OF OPERATING EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures and Other Uses:				
Salaries and wages	\$ 13,821,930	\$ 13,701,930	\$ 12,971,621	\$ 730,309
Employee benefits	6,695,030	6,890,030	6,837,186	52,844
Operations	22,797,250	22,797,250	22,232,596	564,654
Intergovernmental	568,014	568,014	540,163	27,851
Capital outlay	459,650	459,650	362,789	96,861
Depreciation and amortization	7,854,330	7,854,330	7,951,427	(97,097)
Other	657,342	732,338	506,150	226,188
Interest	<u>5,746,342</u>	<u>5,746,342</u>	<u>4,100,694</u>	<u>1,645,648</u>
Total Expenditures	<u>\$ 58,599,888</u>	<u>\$ 58,749,884</u>	<u>\$ 55,502,626</u>	<u>\$ 3,247,258</u>

See Independent Auditors' Report.

Notes to Supplemental Schedule

Schedule of Operating Expenditures - Budget and Actual

Budgetary Basis

The appropriation appearing on page 50 of the financial statements represents the operating budget of the Commission that was originally authorized in June 2014.

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)	\$ 54,893,356
Non-operating expenditures (GAAP basis)	4,738,350
Reverse capital expenditures appropriated in a prior fiscal year	(628,691)
Reverse the effect of prior year and current year GAAP accruals of:	
Inventory	(14,990)
Deferred outflows	(100,250)
Accounts payable and accrued payroll	(80,752)
Interest on long-term debt	(537,406)
Accrued compensated absences	42,373
Net OPEB obligation	(1,338,500)
Net pension liability	(1,355,396)
Accrued workers compensation	<u>(115,468)</u>
Budgetary basis	<u>\$ 55,502,626</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 53 and 54.

- 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 55 through 58.

- 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 59 and 60.

- Commission Per Capita Debt – Last Ten Fiscal Years
- Debt Coverage – Last Ten Fiscal Years

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission’s financial activities take place. These schedules are found on pages 61 through 64.

- Population, Income and Employment – Last Ten Calendar Years
- Demographic and Economic Statistics – 2014 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 65 through 69.

- Divisional Breakdown of SWSC Funded (Budgeted) Positions – Last Ten Budget Years
- Water and Sewer Distribution System – Year-End 2015
- Insurance Coverage – 2015 – 2016
- Water and Sewer Sales – Last Ten Fiscal Years
- Capital Spending by Category – Last Ten Fiscal Years

Table 1
Net Position by Component
Last Ten Fiscal 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>
Net investment in capital assets	\$ 118,678,008	\$ 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
Restricted	36,368,236	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
Unrestricted	<u>(34,869,872)</u>	<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>
Total net position	<u>\$ 120,176,372</u>	<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>

Source: Audited Financial Statements (2006 - 2009 as modified)

Table 2
Changes in Net Position
Last Ten Fiscal 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>
Operating Revenues										
Water and sewer usage	\$ 67,168,792	\$ 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
Other income	252,568	442,440	323,306	468,610	208,003	132,699	301,775	1,095,018	257,114	183,774
Total Operating Revenues	67,421,360	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
Operating and Maintenance Expenses										
Salaries and wages	12,845,594	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
Employee benefits	9,877,386	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
Administration (indirect costs)	-	-	-	-	-	-	-	-	184,601	2,108,000
Operations	22,166,166	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
Intergovernmental	540,163	519,315	504,188	493,920	500,914	486,892	477,701	454,092	466,727	448,740
Capital outlay	991,480	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
Other	521,140	561,054	413,520	615,729	355,459	358,107	308,747	315,916	271,347	293,051
Total Operating Expenses	46,941,929	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
Depreciation and amortization	7,951,427	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
Excess Operating Revenues	12,528,004	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
Non-operating Revenues (Expenses)										
Interest income	15,027	13,709	16,180	19,618	30,006	49,600	278,324	1,331,957	2,132,353	1,228,064
Interest expense	(4,738,350)	(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)
Other	81,045	661,249	-	38,574	9,781	(4,015)	(125,989)	(124,260)	(9,523)	(2,018)
Total Non-operating Expenses	(4,642,278)	(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
Capital grants and contributions	1,643,475	-	1,227,663	1,737,571	362,428	2,740,324	251,763	810,072	1,308,411	189,004
Excess revenues before deferral adjustments and special items	9,529,201	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
Excess revenues used to fund reserves and other deferrals	(2,687,059)	(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
Special item	-	-	-	-	-	(4,949,004)	-	-	-	-
Change in Net Position	\$ <u>6,842,142</u>	\$ <u>(4,399,530)</u>	\$ <u>3,304,049</u>	\$ <u>5,797,377</u>	\$ <u>4,324,647</u>	\$ <u>(1,737,685)</u>	\$ <u>87,192</u>	\$ <u>16,278,533</u>	\$ <u>6,765,820</u>	\$ <u>4,053,850</u>

Source: Audited Financial Statements
(2006 - 2009 as modified)

Table 3
Largest Users
Last Ten Fiscal Years

Top 25 Customers	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Solutia, Inc.	\$ 7,368,394	\$ 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
Town of Agawam	2,952,071	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
Town of West Springfield	1,809,349	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
Springfield Housing Authority	1,324,351	1,165,478	1,103,606	1,143,894	1,147,318	1,007,186	875,106	780,427	747,012	750,052
Town of Longmeadow	1,306,863	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
Town of East Longmeadow	1,200,725	1,251,602	1,332,632	1,280,605	1,252,253	888,999	765,457	652,052	689,773	618,820
Bay State Medical Center	901,132	780,102	852,355	850,642	816,729	680,250	601,332	551,069	578,639	542,084
Town of Ludlow DPW	824,146	694,297	561,993	557,463	840,323	812,734	568,675	728,241	569,166	586,008
Western New England University	509,482	395,069	369,050	331,600	305,976	254,167	232,358	249,617	229,729	240,351
Springfield College	442,041	432,570	454,455	393,046	397,374	316,715	300,403	288,408	211,803	275,980
Smith & Wesson	441,301	344,034	431,508	289,926	246,791	251,808	214,299	188,073	165,396	151,696
Catholic Health East-APSS	437,435	510,245	523,085	411,536	364,181	310,942	321,948	295,951	323,846	274,005
City of Springfield/Schools	388,135	356,808	376,492	363,417	367,620	338,933	273,876	274,862	216,916	138,494
Chestnut Park Associates	338,939	292,262	284,248	261,429	249,389	326,922	347,583	268,606	283,009	249,133
Carando/Smithfield Foods	252,159	216,350	219,284	209,441	197,765	168,268	145,846	111,158	89,059	90,268
Pynchon I Apartments, Ltd	243,464	227,474	231,734	235,228	184,723	170,722	144,068	129,353	127,061	133,182
Allen Park 1 & 2	206,815	177,904	-	-	-	-	-	-	-	-
Pynchon II Apartments, Ltd.	205,079	183,432	-	-	-	-	-	-	-	-
Unifirst Corporation	202,413	183,622	190,246	170,994	205,421	182,214	138,989	129,081	125,129	128,615
Mass Power	199,286	-	168,371	157,513	42,665	42,726	-	-	-	67,398
Town of Wilbraham	191,960	286,722	-	-	-	-	-	-	-	-
Park Tenants Assoc., Inc.	183,227	-	-	-	-	-	-	-	-	-
Armory Commons	182,313	147,790	-	-	-	-	-	-	-	-
Spring Meadow Apartments	172,518	176,398	170,576	141,701	151,868	126,981	121,183	118,395	89,550	104,909
MassMutual Financial	163,940	-	-	-	-	-	-	-	-	-
Taylor Consulting & Contracting	-	329,687	374,304	317,496	308,924	275,433	263,040	249,521	254,060	229,983
Cardaropoli, Attilio	-	203,646	211,948	210,895	188,688	184,870	175,842	151,382	131,714	119,588
Styrolution America, LLC	-	186,233	600,479	1,009,955	453,877	413,474	161,301	-	-	-
Mass Municipal Wholesale	-	-	435,073	276,108	217,681	121,490	85,159	99,593	122,180	56,121
Hampden County Sheriff's Dept.	-	-	347,398	327,756	136,214	123,957	129,267	149,943	166,819	141,892
City of Springfield/Parks Dept	-	-	206,635	130,685	60,831	-	-	39,917	-	-
Total	\$ 22,447,538	\$ 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
Percent of Total Operating Revenue	35%	35%	35%	37%	39%	37%	35%	34%	34%	37%

Source: Commission Billing Records

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

Water Sales (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	3,904,169	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
Commercial	995,680	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
Industrial	332,947	292,994	305,685	351,324	467,409	444,615	344,988	350,023	307,750	272,136
Municipal	99,915	98,405	125,987	118,816	127,844	88,114	91,505	85,240	75,134	68,931
Solutia contract	2,176,832	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
Town contracts	<u>2,940,024</u>	<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>
Total water billed	10,449,567	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
Water supplied	11,230,750	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
% Accounted for	93.0%	95.3%	93.1%	94.6%	95.2%	90.6%	93.7%	96.1%	92.9%	95.4%
Sewer Sales (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	3,639,573	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
Commercial	532,273	536,765	545,418	557,926	568,273	570,593	619,296	668,646	644,217	678,022
Industrial	164,419	161,525	177,979	166,274	168,006	165,854	186,198	269,809	188,323	169,389
Municipal	56,562	53,819	55,634	56,434	60,679	58,861	61,011	62,969	53,513	41,845
Food Service	36,320	36,333	39,310	44,412	44,978	46,179	48,735	50,537	50,889	51,822
Medical	137,709	150,742	168,482	172,983	166,605	151,009	150,338	145,483	155,791	165,649
Solutia contract	1,760,526	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
Town contracts	<u>4,160,382</u>	<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>
Total sewer billed	10,487,764	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
Wastewater treated	13,512,560	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
% Accounted for	77.6%	75.8%	81.3%	73.4%	79.5%	74.5%	73.3%	79.9%	76.8%	70.4%

Source: Internal Meter Readings

* Unaccounted for wastewater includes inflow and infiltration from precipitation and groundwater. The combined sewer system within Springfield collects surface water runoff from precipitation and snow melt that accounts for the majority of the unaccounted wastewater treated.

Table 5
Billings and Collections
Last Ten Fiscal 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>
Billings	\$59,252,502	\$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
Adjustments	(\$766,813)	(\$304,095)	\$164,551	(\$2,770,914)	(\$1,725,815)	\$503,508	\$231,708	\$716,058	\$325,253	\$603,583
Write-offs	\$88,395	\$80,900	\$158,965	\$132,792	\$131,347	\$129,019	\$105,530	\$47,423	\$46,348	\$53,053
Net Billings	\$58,574,084	\$61,891,726	\$60,681,213	\$56,107,831	\$58,010,183	\$50,754,955	\$47,975,289	\$48,107,885	\$42,811,251	\$42,430,479
Payments	\$58,886,351	\$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
Collection rate	99.4%	99.6%	99.1%	102.7%	100.6%	98.4%	99.6%	102.9%	96.9%	99.0%
Ending Receivables (before accruals)	\$4,374,664	\$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

Source: Internal Billing Records

Table 6
Water and Sewer Rate Structure
Last Ten Fiscal Years

Water Rates (per 1000 gals)	<u>2016</u>	<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>
Residential	\$3.72	\$3.56	\$3.34	\$3.21	\$3.06	\$2.91	\$2.70	\$2.50	\$2.31	\$2.14
Commercial	\$3.72	\$3.56	\$3.34	\$3.21	\$3.06	\$2.91	\$2.70	\$2.50	\$2.31	\$2.14
Municipal	\$2.77	\$2.65	\$2.49	\$2.39	\$2.27	\$2.17	\$2.01	\$1.67	\$1.24	\$1.07
Industrial	\$2.77	\$2.65	\$2.49	\$2.39	\$2.27	\$2.17	\$2.01	\$1.67	\$1.24	\$1.07
Solutia contract	\$2.51	\$2.35	\$2.14	\$2.01	\$1.86	\$1.71	\$1.30	\$1.30	\$1.24	\$1.07
Town contracts	\$0.48	\$1.48	\$1.19	\$1.14	\$0.98	\$0.93	\$0.90	\$0.93	\$0.81	\$0.72
Residential Water % Change	4.5%	6.4%	4.2%	4.8%	5.0%	7.9%	8.0%	8.1%	8.1%	
Sewer Rates (per 1000 gals)										
	<u>2016</u>	<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>
Residential	\$6.10	\$5.80	\$5.11	\$4.87	\$4.47	\$4.13	\$3.82	\$3.40	\$3.02	\$2.69
Commercial	\$6.70	\$6.38	\$5.61	\$5.35	\$4.91	\$4.55	\$4.21	\$3.74	\$3.33	\$2.95
Industrial	\$7.30	\$6.95	\$6.12	\$5.84	\$5.36	\$4.96	\$4.59	\$4.08	\$3.62	\$3.22
Municipal	\$6.10	\$5.80	\$5.11	\$4.87	\$4.47	\$4.13	\$3.82	\$3.40	\$3.02	\$2.69
Food Service	\$7.91	\$7.54	\$6.64	\$6.32	\$5.80	\$5.37	\$4.97	\$4.41	\$3.93	\$3.49
Medical	\$6.70	\$6.38	\$5.61	\$5.35	\$4.91	\$4.55	\$4.21	\$3.74	\$3.33	\$2.95
Solutia contract	\$0.96	\$0.96	\$0.99	\$1.08	\$0.79	\$0.78	\$0.92	\$0.98	\$0.99	\$0.98
Town contracts	\$0.96	\$0.96	\$0.99	\$1.08	\$0.79	\$0.78	\$0.92	\$0.98	\$0.99	\$0.98
Residential Sewer % Change	5.1%	13.6%	4.9%	9.0%	8.1%	8.0%	12.6%	12.4%	12.4%	
Water Rates (per 100 CF)										
	<u>2016</u>	<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>
Residential	\$2.78	\$2.66	\$2.50	\$2.40	\$2.29	\$2.18	\$2.02	\$1.87	\$1.73	\$1.60
Commercial	\$2.78	\$2.66	\$2.50	\$2.40	\$2.29	\$2.18	\$2.02	\$1.87	\$1.73	\$1.60
Municipal	\$2.07	\$1.98	\$1.86	\$1.79	\$1.70	\$1.62	\$1.50	\$1.25	\$0.93	\$0.80
Industrial	\$2.07	\$1.98	\$1.86	\$1.79	\$1.70	\$1.62	\$1.50	\$1.25	\$0.93	\$0.80
Solutia contract (per 100 CF)	\$1.88	\$1.76	\$1.60	\$1.50	\$1.39	\$1.28	\$0.97	\$0.97	\$0.93	\$0.80
Town contracts (per million gals)	\$1,033.95	\$1,481.78	\$1,186.59	\$1,141.50	\$1,165.25	\$928.30	\$904.78	\$927.33	\$812.57	\$724.94
Residential Water % Change	4.5%	6.4%	4.2%	4.9%	5.0%	7.9%	8.0%	8.1%	8.1%	
Sewer Rates (per 100 CF)										
	<u>2016</u>	<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>
Residential	\$4.56	\$4.34	\$3.82	\$3.64	\$3.34	\$3.09	\$2.86	\$2.54	\$2.26	\$2.01
Commercial	\$5.01	\$4.77	\$4.20	\$4.00	\$3.67	\$3.40	\$3.15	\$2.80	\$2.49	\$2.21
Industrial	\$5.46	\$5.20	\$4.58	\$4.37	\$4.01	\$3.71	\$3.43	\$3.05	\$2.71	\$2.41
Municipal	\$4.56	\$4.34	\$3.82	\$3.64	\$3.34	\$3.09	\$2.86	\$2.54	\$2.26	\$2.01
Food Service	\$5.92	\$5.64	\$4.97	\$4.73	\$4.34	\$4.02	\$3.72	\$3.30	\$2.94	\$2.61
Medical	\$5.01	\$4.77	\$4.20	\$4.00	\$3.67	\$3.40	\$3.15	\$2.80	\$2.49	\$2.21
Solutia contract (per million gals)	\$938.16	\$959.85	\$993.00	\$1,076.52	\$881.28	\$779.83	\$921.96	\$976.82	\$992.48	\$981.38
Town contracts (per million gals)	\$938.16	\$959.85	\$993.00	\$1,076.52	\$881.28	\$779.83	\$921.96	\$976.82	\$992.48	\$981.38
Residential Sewer % Change	5.1%	13.6%	4.9%	9.0%	8.1%	8.0%	12.6%	12.4%	12.4%	

Source: Commission's Approved Rules and Regulations

Table 7
Commission Per Capita Debt
Last Ten Fiscal 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>
Outstanding Principal ⁽⁵⁾⁽⁶⁾	\$173,265,029	\$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
City Springfield Population	153,991	153,060	153,060	153,060	153,060	153,060	152,082	152,082	152,082	152,082
Town of Ludlow Population ⁽¹⁾	21,103	21,103	21,103	21,103	21,103	21,103	22,161	22,410	22,382	21,951
Per Capita Debt	990	771	699	723	671	536	511	447	284	185
City of Springfield:										
Total Personal Income ⁽²⁾⁽³⁾	\$2,832,940,301	\$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
Town of Ludlow:										
Estimated Total Personal Income ⁽³⁾⁽⁴⁾	\$583,371,332	\$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
Debt per Personal Income	5.07%	3.93%	3.57%	3.65%	3.43%	2.78%	2.68%	2.38%	1.53%	1.02%

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>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>
Operating revenue										
Beginning revenue cash	\$24,945,725	\$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
Deposits to revenue acct	\$66,470,471	\$65,134,734	\$62,750,659	\$60,793,884	\$60,094,482	\$53,095,118	\$50,770,243	\$55,619,646	\$45,374,834	\$44,796,301
Total cash receipts	\$91,416,196	\$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
Operating transfers										
To operating accts	\$44,173,446	\$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
To (from) debt service reserve	\$477,261	(\$13,242)	(\$236,031)	\$994,454	\$967,540	\$506,951	\$1,142,119	\$1,449,300	\$1,505,300	\$0
Total operating transfers	\$44,650,707	\$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
Net revenue	\$46,765,489	\$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
Debt service requirement	\$10,689,535	\$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
Debt coverage	437.5%	505.0%	528.3%	461.1%	383.4%	438.2%	373.8%	809.2%	683.5%	1003.5%
Alternate (no begin balance)	204.1%	234.1%	225.8%	210.1%	244.2%	229.0%	104.5%	454.0%	261.4%	426.2%
125% of debt service required	\$13,361,919	\$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
140% of debt service required	\$14,965,349	\$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

Source: Commission Accounting System

Table 9
Population, Income and Employment
Last Ten Calendar 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>
United States										
Total Personal Income (\$000)	\$14,708,582,165	\$14,151,427,000	\$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
Per Capita Income (\$)	\$46,129	\$44,765	\$42,693	\$41,663	\$39,937	\$38,846	\$40,166	\$38,615	\$36,629	\$34,494
Population	318,857,056	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
Employment	N/A	182,278,200	179,603,300	175,834,700	173,737,400	174,208,800	181,755,100	180,943,800	178,342,900	174,219,000
New England										
Total Personal Income (\$000)	\$831,543,055	\$801,066,757	\$763,754,701	\$740,176,699	\$705,912,532	\$684,352,455	\$702,966,446	\$673,337,441	\$631,474,719	\$595,013,214
Per Capita Income (\$)	\$56,642	\$54,797	\$52,446	\$51,074	\$48,840	\$47,513	\$48,944	\$42,820	\$44,252	\$41,785
Population	14,680,722	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
Employment	N/A	9,217,266	9,125,273	9,002,996	8,935,730	8,940,282	9,275,239	9,155,067	9,210,832	8,976,452
Massachusetts										
Total Personal Income (\$000)	\$399,204,457	\$383,152,205	\$363,459,345	\$353,228,041	\$336,319,665	\$324,495,729	\$333,046,494	\$316,895,851	\$297,754,674	\$279,635,404
Per Capita Income (\$)	\$59,182	\$57,248	\$54,687	\$53,261	\$51,304	\$49,788	\$50,897	\$48,995	\$46,255	\$43,702
Population	6,745,408	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
Employment	N/A	4,322,176	4,250,566	4,168,887	4,130,436	4,113,976	4,251,139	4,198,813	4,214,576	4,113,773
Western Massachusetts⁽¹⁾										
Total Personal Income (\$000)	(2)	\$37,085,939	\$35,830,064	\$33,513,709	\$32,252,907	\$31,464,101	\$32,150,902	\$30,809,227	\$29,152,369	\$37,650,290
Per Capita Income (\$)	(2)	\$44,805	\$43,311	\$40,689	\$39,135	\$38,215	\$39,084	\$37,493	\$35,497	\$33,680
Population	(2)	827,721	827,274	823,662	824,138	823,343	822,611	821,736	821,261	820,972
Employment	(2)	465,367	454,490	449,577	446,402	446,278	458,340	460,296	455,890	452,595

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

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

(2) 2014 information unavailable

Table 10
Demographic and Economic Statistics
2014 Calendar Year End Summary

	Springfield, MA ⁽¹⁾	United States ⁽²⁾
ECONOMY		
Unemployment Rate	10.8%	6.2%
Recent Job Growth	2.4%	1.7%
3 Year Average	1.0%	1.5%
5 Year Average	-0.9%	0.9%
Future Job Growth*	N/A	1.3%
Sales Tax	6.25%	5.3%
Income Taxes	5.3%	5.3%
Income Per Capita	\$18,518	\$28,184
Household Income (Median)	\$49,340	\$73,767
HOUSEHOLD INCOME		
Income less than 10K	7.7%	7.6%
Income between 10K and 15K	6.8%	5.4%
Income between 15K and 25K	12.2%	10.8%
Income between 25K and 35K	9.5%	10.3%
Income between 35K and 50K	11.7%	13.6%
Income between 50K and 75K	16.0%	17.9%
Income between 75K and 100K	12.8%	11.9%
Income between 100K and 150K	15.2%	12.7%
Income between 150K and 200K	4.9%	4.9%
Income greater than 200K	3.2%	5.0%
POPULATION BY OCCUPATION		
Management, business, science, and arts occupations	28.1%	36.3%
Service occupations	26.8%	18.4%
Sales and office occupations	24.3%	24.2%
Natural resources, construction, and maintenance occupations	5.0%	8.9%
Production, transportation, and material moving occupations	15.9%	12.3%

* Projected growth between 2013 and 2014

(1) Source: U.S. Census Bureau, 2013 estimate; American Community Survey 2013 estimate

(2) Source: Bureau of Labor Statistics 2014

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

Water Accounts	<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	40,226	40,245	40,274	40,242	40,377	40,246	40,075	40,009	40,017	39,826
Commercial	2,186	2,184	2,190	2,184	2,188	2,188	2,177	2,183	2,190	2,194
Industrial	91	92	92	95	97	94	94	92	93	94
Municipal	154	147	147	149	143	137	128	124	121	118
Solutia contract	24	22	23	23	23	23	23	23	23	23
Town contracts	6	6	6	6	6	6	6	6	6	6
Totals	42,687	42,696	42,732	42,699	42,834	42,694	42,503	42,437	42,450	42,261
% Change	0.0%	-0.1%	0.1%	-0.3%	0.3%	0.4%	0.2%	0.0%	0.4%	---
Sewer Accounts	<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	35,181	35,205	35,224	35,220	35,321	35,192	35,034	34,976	34,987	34,816
Commercial	1,701	1,699	1,707	1,706	1,710	1,709	1,701	1,700	1,703	1,713
Industrial	104	105	105	107	108	105	105	108	108	110
Municipal	97	92	92	95	94	93	91	84	82	76
Food Service	70	70	70	72	74	73	73	73	73	73
Medical	19	19	20	20	20	20	20	21	21	21
Solutia contract	1	1	1	1	1	1	1	1	1	1
Town contracts	6	6	6	8	8	8	8	8	8	8
Totals	37,179	37,197	37,225	37,229	37,336	37,201	37,033	36,971	36,983	36,818
% Change	0.0%	-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>2015</u>			<u>2006</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	9,773	1	14.5%	8,772	1	13.2%
Massachusetts Mutual Financial Group	Insurance	3,997	2	5.9%	4,230	2	6.3%
Sisters of Providence	Healthcare	1,962	3	2.9%	2,200	4	3.3%
Smith & Wesson	Firearms	1,301	4	1.9%	587	8	0.9%
Springfield Technical Community College	Education	1,081	5	1.6%	420	n/a	0.6%
Big Y	Grocery	1,035	6	1.5%	1,002	5	1.5%
Western New England University	Education	844	7	1.3%	492	n/a	0.7%
Springfield College	Education	680	8	1.0%	560	9	0.8%
Solutia Inc.	Chemical	388	9	0.6%	504	10	0.8%
Center for Human Development	Social Services	350	10	0.5%	327	6	0.5%
Union News	Newspaper	350	n/a	0.5%	700	7	1.1%
US Postal Service	Mail	n/a	n/a	n/a	2,267	3	3.4%
		21,761		32.2%	22,061		33.1%

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 2015 Summary

Water Distribution System

<u>Appurtenances</u>		<u>Water Main City Wide</u>	
Hydrants	6,217	Total Linear Feet	3,141,600
Valves	19,068	Total Linear Miles	595
Meters	45,799		
		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	2,433,024
Manholes	11,090	Combined Sewer Miles	151
Regulators	22	Separated Sewer Miles	310
Flood Control Gates	42	Total Sewer Miles	461
		Sewage Pumping Stations	26
		Flood Control Pumping Stations	7
		Active CSO's	23

Source: Commission's GIS System

Table 15
Insurance Coverage
2015 - 2016

<u>Provider</u>	<u>Policy Period</u>	<u>Type of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
ACE American Insurance Company	4/2/15 - 4/2/16	Property	\$ 100,000,000	\$ 172,626
Navigators	4/2/15 - 4/2/16	Special Excess Liability	\$ 15,000,000	\$ 65,000
STARR Indemnity & Liability Company	4/2/15 - 4/2/16	Excess Liability	\$ 10,000,000	\$ 91,563
Safety Insurance Company	4/2/15 - 4/2/16	Automobile	\$ 1,000,000	\$ 3,060
Hanover Insurance Group	4/2/15 - 4/2/16	Crime	\$ 1,000,000	\$ 3,950

Source: Commission's Insurance Records

Table 16
Water and Sewer Sales
Last Ten Fiscal Years

Water Revenues

	<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	\$13,415,558	\$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	3,427,199	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	1,136,290	962,255	944,594	1,057,444	1,327,881	879,719	562,681	430,509	329,145	283,583
Municipal	348,218	332,415	389,889	358,006	362,457	174,344	149,246	104,840	80,358	75,896
Solutia contract	5,107,358	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	3,927,297	3,816,647	3,675,537	3,105,189	3,067,939	3,056,140	2,273,571	2,583,694	2,098,080	2,127,224
Total	<u>\$27,361,920</u>	<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	1.1%	3.6%	4.8%	1.9%	17.6%	8.9%	-3.0%	12.0%	0.1%	

Sewer Revenues

	<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	\$20,201,407	\$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	2,965,577	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	912,485	806,654	836,129	733,930	677,357	753,881	751,760	970,302	604,245	502,732
Municipal	304,162	276,567	261,290	250,156	245,215	222,698	205,547	188,571	143,082	104,054
FoodServ	202,774	184,378	184,039	196,404	180,897	227,807	213,053	196,609	176,888	166,967
Medical	760,404	760,560	790,687	762,874	673,337	629,875	556,734	480,404	458,210	451,769
Solutia contract	2,261,036	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	3,536,341	4,224,251	4,479,628	2,930,462	5,747,728	5,318,784	5,621,189	5,287,283	4,920,016	4,546,105
Total	<u>\$31,144,186</u>	<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	5.7%	0.3%	13.8%	-7.2%	11.4%	5.0%	4.5%	10.2%	2.6%	

Source: Commission Billing System

Table 17
Capital Spending by Category
Last Ten Fiscal 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>	<u>Totals</u>	<u>% of Total</u>
Water	\$ 14,281,580	\$ 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	\$ 78,401,488	34%
Sewer	11,796,065	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	130,602,715	57%
Power Generation	221,315	652,885	249,872	117,351	4,723	109,068	990,465	353,217	16,101	-	2,714,997	1%
Support	<u>2,528,713</u>	<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>19,307,507</u>	<u>8%</u>
Total	<u>\$ 28,827,673</u>	<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>\$ 231,026,707</u>	<u>100%</u>

Source: Commission's Accounting System