



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson  
FROM: Cathy Bloom, Finance Manager; Susan Eicher, General Accounting and  
Treasury Supervisor  
DATE: January 28, 2014  
SUBJECT: Inventory Adjustment – Regulatory Accounting  
OBJECTIVE: Approval of Resolution No. 1404

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## **Issue**

During the course of implementing the inventory module of the Work Asset Management system (WAM), it came to our attention that there were material amounts of items stored in areas throughout the utility that were not recorded in inventory. The amount is estimated to be \$2.1 million and to record this inventory, staff requests that the Board approve treatment as a regulatory deferral on the financial statements.

## **Background**

Replacement of our materials inventory system is in process as part of the WAM implementation. Staff assigned to the implementation has been outlining best practices in order to ensure that the end result is a system that is effective and has the appropriate internal controls over inventory. During that process, significant amounts of items that had been issued from stores or purchased through purchase orders and purchasing cards were found in storage areas throughout the utility. These items, under best practices, would either have been returned to, or placed in inventory if they were not needed for current work in process.

## **Discussion**

Generally Accepted Accounting Principles require that these items be accounted for as inventory. These items were purchased and paid for in previous periods, and will be used over an unknown number of future periods. Recognition as inventory and materials expense in 2013 would result in duplication of expenses. Under regulatory accounting, revenues and expenses are allowed to be deferred and recognized in the period when those revenues or expenses are included in rates. As required by policy, management requests the Board's approval to apply regulatory accounting for this inventory adjustment. As a regulatory deferral, these items will be added to inventory and, rather than recognizing expense, would be considered a regulatory deferral. As the WAM inventory module is implemented, this inventory will be entered into the inventory records, and then issued as needed for operations and maintenance or capital work.

## **Recommendation and Requested Board Actions**

Management recommends approval of Resolution No. 1404 allowing for treatment of an inventory adjustment as a regulatory deferral.

**RESOLUTION NO. 1404  
FEBRUARY 2014**

**EUGENE WATER & ELECTRIC BOARD  
REGULATORY ACCOUNTING**

**WHEREAS**, Eugene Water & Electric Board (“EWEB”) policy requires that regulatory accounting deferrals that are not included in the annual budget are approved by resolution of the Board of Commissioners (the “Board”);

**WHEREAS**, it is the desire of the Board to allow for the recognition of certain revenues and expenses in the appropriate rate and accounting period;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board hereby approves the treatment of inventory adjustment for the 2013 financial statements as a deferral under regulatory accounting as allowed by Governmental Accountings Standards Board Statement No. 62.

Dated this 4th day of February, 2014.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

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President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its February 4, 2014 Regular Board Meeting.

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Assistant Secretary