



**Metro Finance Committee**  
(Finance Advisory Committee to Metro JPA)

**TO:** Finance Committee Members

**DATE:** Wednesday, July 25, 2018

**TIME:** 10:00 a.m.

**LOCATION:** PUD MOC 11, 9192 Topaz Way, (Conf. Room 2C – Second Floor) – Breakfast will be provided

***THIS NOTICE HAS BEEN DISTRIBUTED TO THE METRO COMMISSIONERS AND FINANCE COMMITTEE MEMBERS***

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1. **Roll Call**
2. **Public Comments**  
*Persons speaking during Public Comment may address the Metro Finance Committee on any subject matter within the jurisdiction of the Metro Finance Committee that is not listed as an agenda item. Comments are limited to three (3) minutes. Please complete a Speaker Slip and submit it prior to the meeting.*
3. **ACTION:** Approval of Minutes from the May 23, 2018 Finance Committee Meeting (**Attachment**)
4. **ACTION:** Consideration and Possible Action to Recommend Approval to the Metro Commission/Metro Wastewater JPA of the FY 2016 Exhibit E Audit (Lee Ann Jones Santos/MGO) (**Attachment**)
5. **ACTION:** Consideration and Possible Action to Recommend Approval to the Metro Wastewater JPA of the FY 2016 Budget to Audit Reconciliation (Paula de Sousa-Mills/Karyn Keese) (**Attachment**).
6. **ACTION:** Consideration and Possible Action to Recommend Approval to the Metro Wastewater JPA of the FY 2015 Audit (Karen Jassoy) (**Attachment**)
7. **DISCUSSION/ACTION:** Consideration and Possible Action to Approve a FY 2019 Metro JPA Finance Committee Calendar (John Mullin).
8. Review of Items to be Brought Forward to the Metro Commission/Metro Wastewater JPA
9. Other Business of the Finance Committee
10. Adjournment

The Metro Finance Committee may take action on any item listed on the Agenda whether or not it is listed "for action".

*Materials provided to the Metro Finance Committee related to any open-session item on this agenda are available for public review by contacting Karyn Keese (619) 733-8876 during normal business hours.*

<b><u>Finance Committee 2018/2019 Meeting Schedule</u></b>		
January 24	May 23	September 26
February 28	June 27	October 24
March 28	July 25	November 28
April 25	August 22	December 26

***In compliance with the  
AMERICANS WITH DISABILITIES ACT***

*The Metro Finance Committee of The Metro Commission/Metro Wastewater JPA requests individuals who require alternative agenda format or special accommodations to access, attend, and/or participate in the Metro Commission/ Metro Wastewater JPA meetings, contact E. Patino at (858) 292.6321, at least forty-eight hours in advance of the meeting.*

Attachment 3  
Action  
Minutes of  
May 23, 2018



Metro Wastewater JPA Finance Committee  
May 23, 2018  
Minutes

Meeting called to order: 10:05 a.m. at PUD MOC 11 (Room 2F-Second Floor) 9192 Topaz Way, San Diego, CA by Committee Chairman Mullin

**1. Roll Call**

**Attendees:**

John Mullin, Chair, Poway  
Jim Peasley, Vice Chair, Padre  
Jerry Jones, Lemon Grove Sanitation District  
Bill Baber, La Mesa  
Ed Spriggs, Imperial Beach

**Support Staff:**

Karyn Keese, The Keze Group, LLC  
Paula de Sousa Mills, BBK Law  
Roberto Yano, Vice Metro TAC Chair  
Karen Jassoy, Metro JPA Treasurer  
Lori Anne Peoples, Metro JPA Board Secretary

**City of San Diego Staff:**

Edgar Patino, Public Utilities Department, City of San Diego (PUD)  
Mark Gonzalez, Public Utilities Department, City of San Diego (PUD)  
Charlotte Strong-Williams, Public Utilities Department, City of San Diego, Pure Water (PUD)

**General Public:**

There were no general public members.

**1. Roll Call**

Meeting attendance is noted above. There was a quorum for the meeting. As there were several new people, introductions were made.

**2. Public Comment**

There was no public comment.

**3. Approval of Minutes from the May 24, 2017 Finance Committee Meeting**

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Spriggs, the May 24, 2017 Minutes were approved unanimously.

**4. Approval of 2018 Calendar of Metro JPA Finance Committee Meetings**

Chair Mullin suggested the committee only earmark months where they were anticipating a meeting such as June or July for the Audit and then June for the JPA Budget so possibly April, May, June and July of 2019. Committee Member Spriggs stated he felt having the dates reserved year round worked better for him.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Committee Member Baber, the calendar was tabled for now. Substitute motion by Committee Member Peasley, second by Committee Member Baber, to postpone consideration until staff brings back a calendar next month for discussion and action. Motion carried unanimously.

**5. Approval of the FY 2019 Proposed City of San Diego Metro Wastewater Utility Budget**

Mark Gonzalez, City of San Diego, presented an overview of his handout (attached as Exhibit A to these Minutes). He included an overview of the budget process including key budget dates; Fiscal Year 2019 Metro Fund reductions; FY 2019 Proposed Budget (Metro Sewer Fund Summary); FY 18 vs. FY 19 Personnel Expense Allocation; Fiscal Year 2019 Proposed Budget – Position Additions; Fiscal Year 2019 Proposed Budget – Expense; Fiscal Year 2019 Proposed Budget – Revenue; Summary of Major Revenue Changes; Summary of Major Expense Changes; Pure Water FY 2019 Proposed Budget Wastewater Detail and Fiscal Year 2019 CIP Proposed Budget – Metro Fund.

Karyn Keese stated that there was a huge improvement in the accounting process in having the recycled water personnel and expenses transferred from water to Metro because now the revenue from recycled water and the expenses for producing it are in the Metro Fund making it much cleaner and not subject to spread sheet calculations. This improves the audit efficiency and the calculation of the revenues due to the PAs. There is a 14.3% net increase in Metro personnel cost for FY 2019 and the JPA pays 34% of Metro expenses (and receives 34% of Recycled Water revenues). Karyn requested a change to slide 5, “FY 18 v FY 19 Personnel Expense Allocation” to include the totals for each year prior to the JPA meeting to reflect how the net change allocation for Metro went down and is a cost savings to JPA members.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Vice Chair Jones, the FY 2019 Proposed City of San Diego Metro Wastewater Utility Budget was approved unanimously.

**6. Approval of Amendment to the Treasurers Contract with Padre Dam Municipal Water District FY 2019**

Karyn Keese provided a brief overview of the contract. The only changes included an increase from \$19,000 to \$21,000 in the budget due to the JPA audit administration and additional work load associated with monthly monitoring of consultant contracts due to their increased workload during the upcoming year.

**ACTION:** Upon motion by Committee Member Baber, seconded by Vice Chair Jones, the FY 2019 Amendment to the Treasurers Contract with Padre Dam Municipal Water District was approved unanimously.

**7. Approval of FY 2019 Contract with The Keze Group, LLC for Financial Support Services**

Roberto Yano, MetroTAC Vice Chair, provided an overview of the contract with Karyn Keese noting that the only change to last year was an increase of \$2,700 due to the review of journal entries for 55+ Pure Water Task Order changing them from a past 50/50 cost sharing split with water to something lower for wastewater based on the upcoming bids for the capital projects. Current projections have lowered the split to 39% wastewater potentially resulting in a \$1 million savings to the JPA members.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Vice Chair Jones, the Contract was approved unanimously.

**8. Approval of Amendment to the Agreement for Administrative Support Services with Lori Anne Peoples through FY 2022**

Karyn Keese explained that the changes to the contract were a Cost of Living Adjustment of 5% taking the hourly rate from \$52.50/hour to \$55/hour. The past agreement with the JPA was for two year and the current agreement is for four years to coincide with the City of San Diego Reimbursement Agreement. In addition, there is an inclusion of a debit or credit card in the amount of \$500 so that Lori does not have to use her own funds as in the past and wait for quarterly reimbursement of expenses incurred on the JPA's behalf.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Vice Chair Jones, Amendment to the Agreement with Lori Anne Peoples for Administrative Support Services was approved unanimously.

**9. Approval of Reimbursement Agreement with the City of San Diego for Administrative Support Services with Lori Anne Peoples through FY 2022**

Paula de Sousa Mills explained that this agreement was a counterpart to the prior agreement to reimburse the Metro Wastewater JPA for Lori's services for the Metro Commission costs which the City reimburses the JPA. Karyn Keese explained the changes to the contract were similar to those in the JPA contract: increase in hourly rate, four year term, etc.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, Reimbursement Agreement with the City of San Diego for Administrative Support Services was approved unanimously.

**Items 12 and 13 were heard at this time as Committee Member Baber recused himself from items 10, 11, and 14 under an abundance of caution. Committee Member Baber left the meeting after the hearing of Item 12 and did not return.**

#### **10. Approval of the FY 2019 NV5 Contract for Engineering Services**

Karyn Keese explained that this contract covered Scott Tulloch, Carmen Kasner, and other NV5 staff who were providing engineering services to the MetroTAC. Scott had taken a lead role in working on the engineering team consisting of Roberto Yano, Dexter Wilson, and himself regarding review of all Pure Water Program designs and cost sharing. Carmen Kasner took a lead role with Dexter Wilson on review and comments on the EIR. Additionally, NV5 has also assisted with Public Outreach efforts. The contract has been lowered from \$75,000 to \$50,000 per request of NV5 which has helped the JPA budget substantially.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, to approve the FY 2019 Contract with NV5 and sent accolades to the JPA team (Dexter Wilson, Carmen Kasner, Scott Tulloch, Roberto Yano, Karyn Keese, and Paula de Sousa Mills and BBK staff) for their dedication and support provided to the JPA during the past year). Motion carried unanimously with Committee Member Baber absent.

#### **11. Approval of FY 2019 Scope of Work for Lemon Grove Sanitation District Consultant Wilson Engineering; Amendment to Reimbursement Agreement with Lemon Grove Sanitation District for Engineering Support Services of Wilson Engineering for FY 2019 and Authorizing the Chair or Designee to execute Amendment to Reimbursement Agreement with Lemon Grove Sanitation District.**

Paula clarified that the titles on this item should read Lemon Grove Sanitation District not City of Lemon Grove.

Karyn Keese explained that the changes to the contract were for the inclusion of one task (Task 5) to assist with preparation of an amendment to Wastewater Disposal Agreement to clarify and support the Pure Water Program. This work is underway and will proceed into FY 2019. The total increase is \$10,500 for this task. There are no other increases in proposed hours or increases in hourly rates.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, the items were approved unanimously with Committee Baber Absent.

**Items 12 and 13 were heard prior to Items 10, 11 and 14**

#### **12. Approval of FY 2019 Budget for Legal Counsel (Best Best & Krieger LLP)**

Karyn Keese explained that this was a very busy year for our General Counsel. Further, that both Karyn and Paula had discussed that the budget for legal counsel, like all other contracts, should be conservative to avoid supplemental billings to JPA members for the upcoming fiscal year. The changes to the contract contain a budgeted amount for FY 2019 of \$130,000 which is the expected FY 2018 year end amount as similar additional work will be required in the upcoming year.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Committee Member Peasley, the FY 2019 Budget for Legal Counsel was approved unanimously.

**13. Approval of Metro Commission/Metro Wastewater JPA FY 2019 Budget**

Karen Jassoy provided an overview of the budget noting that the allocation of the JPA Operating Budget to members is always based on the City of San Diego projected Budget provided in January of each year per the Regional Disposal Agreement. Discussion was held amongst Committee Members whether the JPA budget should be based on projected Metro budgets or Metro Exhibit E audited allocations. Paula de Sousa Mills stated she will look at the agreement and bring a report back as to what budget versus actual might look like and if the JPA should also do a true-up of budgeted costs when actual audited costs are known similar to the Metro Exhibit E Audit process.

**ACTION:** Upon motion by Vice Chair Jones, seconded by Chair Mullins, the budget was approved unanimously.

**14. Approval of Amendment to Increase Work in FY 2017-2018 in the amount of \$10,500 with a corresponding Revision to Exhibits A and B for Lemon Grove Sanitation District Consultant Wilson Engineering for Engineering Support Services**

Karyn Keese explained that the changes to the contract and increased costs were for the assistance with the preparation of an amendment to Wastewater Disposal Agreement to incorporate Pure Water Program cost sharing and protections to JPA members that were not anticipated when the Lemon Grove agreement was approved in last year's budget. An estimate of costs incurred to date for this additional task is \$10,500.

**ACTION:** Upon motion by Committee Member Peasley, seconded by Chair Mullins, the Amendment was approved unanimously with Committee Member Baber absent.

**15. Review of Items to be Brought Forward to the Metro Commission/Metro Wastewater JPA**

All Finance Committee approved items will move forward to the Metro Commission/Metro Wastewater JPA meeting in June.

**16. Other Business of the Finance Committee**

There was no other additional business of the Finance Committee.

**17. Adjournment**

The meeting was adjourned at 12:02 p.m. The next regularly scheduled meeting of the Finance Committee will be July 25, 2018.

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Attachment 4  
FY 2016  
Exhibit E  
Audit

## Fiscal Year 2016 Exhibit E Summary

FYE 2016's "Schedule of Allocation for Billing to Metropolitan Wastewater Utility and Independent Auditors Report" (Exhibit E Audit) was completed on June 15, 2018. A copy of the Auditor's Report and the Reconciliation of FYE 2016 based on the audited numbers are attached to this report. The following is a joint staff report prepared by PUD audit staff and the Metro Commission/JPA's auditor. The Metro Commission/JPA would like to thank PUD audit team staff for all their hard work, diligence, and dedication to this process.

### EXPENDITURES & INCOME CREDITS

The final operating and capital expenses can be found on Page 3 of the Auditor's Report. The year-end total \$181.2 million is approx. (\$10.7) million (6%) lower than FYE 2015. The major variances in the areas of expenditures & Income Credits for the year are:

### EXPENDITURES

- Transmission costs decreased at Pump Station 1 and 2 due to a large onetime credit owed to Metro by SDGE and also a temporary period of non-billing due to a billing reconciliation project. It is anticipated that future fiscal years SDGE billings will return to historical levels plus an increase due to increases in energy rates. Decrease in FY16 was (\$7.5 Million). This accounts for the majority of the \$10.7 million in decrease in the FYE 2016 year-end reconciliation. It should be noted that this WILL NOT occur again in FY 2017 and subsequent years as this was a onetime event.
- Quality Control increased due to a new contract with UCSD for the design and purchase of real-time oceanographic mooring systems as part of the City's enhanced ocean monitoring efforts. Increase in FY16 was \$1 Million.
- Engineering increased due to Pure Water MWH Consultant Contract to provide program management services for Pure Water. Increase in FY16 was \$1.2 Million.
- General and Administrative increase in FY16 due to an increase in Pure Water general related administrative expenses and non capitalizable expenses. Increase in FY16 was \$1.3 Million.
- Debt service allocation represents principal and interest payments relating to the Senior Sewer Revenue Bonds Series 2009A, 2009B, 2010A, 2015, and 2016A, and State Revolving Fund (SRF) loans from the State of California. Beginning in FY16 there was a small change in the internal City process that determines the total annual Metro Fund debt which caused the Metro fund to be underbilled, this correction is not retroactive.

The majority of the increase over last fiscal year is due to the start of repayment period on previous received SRF loans proceeds. SRF Loans when made have a grace repayment start window and this increase is due to several loans entering repayment status and increases in payments of bond principal & interest. The increase FYE 2016 is \$9 million.

## INCOME CREDITS

- There was a major offset to the CIP and overall annual expenses by Metro income credits increase \$16.8 million over FYE 2015 which was due to more SRF reimbursements being received in FY16 for seven SRF reimbursements compared to the two reimbursements received in FY15.
- South Bay Recycled Water revenue Income Credits was \$3.2 Million in Fiscal Year 2016. The amount transferred from the City's Water Fund consisted of \$1.2 million from FY15 and \$2.0 million for FY16 which are reflected in the schedules as part of income credits.

## ADDITIONAL HIGHLIGHTS

- The City's auditor controller's office prepared a journal entry at year end for a \$1.2 million transfer from the Metro fund to the water fund for repayment of accumulated recycled water used for wash-down, etc. at the Metropolitan Biosolids Center (MBC) from FY2010 – FY2016 and produced at North City. This was discovered during the fieldwork process by the JPA auditor and was questioned. After review of the Memorandum of Understanding between the Metropolitan Wastewater Department and Water Department for FY2001 concerning the use of Reclaimed Water and discussion with PUD management and staff, it was determined to reverse the charge and any ongoing accounts payable eliminated.
- Total Pure Water Program – Metropolitan Wastewater Fund costs \$ 6,899,462 Pure Water O&M costs consist of task orders for various engineering consultants and other support services that cannot be directly capitalized into a capital improvement project. The final cost allocation of O&M task orders, as well as capital improvement projects is currently in progress and is expected to be finalized soon once the capital projects are bid this fall. If changes to the draft cost allocation are necessary the City has proposed a clean-up adjustment to be completed during the FYE 2018 audit. As of June 30, 2016 there were 35 task/purchase orders that fell into this category.

## TABLE B

The year-end reconciliation shows the total PA share of the FYE 2016 operations and CIP costs less income credits of \$59,021,272. The PAs had collectively been billed \$65,029,096 which results in a refund of \$6,007,824 due to the PAs. Table B shows the individual PA's annual contributions, actual expenses, and reflect either a credit amount (refund) or debit owed.

### **FYE 2017 DRAFT AUDIT PROJECTIONS**

The FYE 2017 audit is in progress and preliminary numbers indicate that FYE 2017 will not have a similar large credit balance to FYE 2016 and discussed earlier in this memo. Two major factors are contributing to this:

- The SDG&E credit enjoyed in FYE 2016 will not be repeated and all costs associated with SDG&E have been billed to Metro facilities in FYE 2017.
- FYE 2017 was billed to the PA's based on the established Administrative Protocol of \$65 million per year for their collective costs. This Protocol did not anticipate Pure Water Program planning and design costs which continued in FYE 2017.

Preliminary discussions with City audit staff indicate that the FYE 2017 year-end costs will be closer to \$70 million as opposed to \$65 million. It is suggested that the PAs plan according. It is anticipated that the FYE 2017 audit will be completed by May 2019 and additional billings will be sent to PAs by the close of FYE 2019 if required.

**CITY OF SAN DIEGO PUBLIC  
UTILITIES DEPARTMENT**

Schedule of Allocation for Billing to Metropolitan  
Wastewater Utility and Independent Auditor's Reports

For the Fiscal Year Ended June 30, 2016



Certified  
Public  
Accountants

**CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**  
Schedule of Allocation for Billing to Metropolitan Wastewater Utility  
and Independent Auditor's Reports  
For the Fiscal Year Ended June 30, 2016

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## **Independent Auditor's Report on the Schedule of Allocation for Billing to Metropolitan Wastewater Utility**

To the Honorable Mayor and City  
Council of the City of San Diego  
San Diego, California

### **Report on the Schedule**

We have audited the accompanying Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule) of the City of San Diego Public Utilities Department (PUD), an enterprise fund of the City of San Diego, California (the City) for the fiscal year ended June 30, 2016, and the related notes to the Schedule.

### ***Management's Responsibility for the Schedule***

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the modified cash basis of accounting described in Note 3, this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the Schedule 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule.

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 Schedule referred to above presents fairly, in all material respects, the modified cash basis allocation for billing to the Metropolitan Wastewater Utility of the PUD pursuant to the Regional Wastewater Disposal Agreement (Agreement) between the City and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010, for the fiscal year ended June 30, 2016, in accordance with the modified cash basis of accounting as described in Note 3.

***Basis of Accounting***

We draw attention to Note 3 of the Schedule, which describes that the schedule is prepared for the purpose of complying with the Regional Wastewater Disposal Agreement between the City and the Participating Agencies and is presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018 on our consideration of the PUD'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 solely 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 the effectiveness of the PUD's 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 the PUD's internal control over financial reporting and compliance.

*Macias Gini & O'Connell LLP*

San Diego, California  
June 15, 2018



**CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**  
**Schedule of Allocation for Billing to Metropolitan Wastewater Utility**  
**For the Fiscal Year Ended June 30, 2016**

	Municipal System	Metropolitan System	Total
<b>OPERATING EXPENSES:</b>			
<b>Transmission</b>			
Main Cleaning .....	\$ 13,158,631	\$ -	\$ 13,158,631
Sewer Pump Stations.....	5,275,120	-	5,275,120
Other Pump Stations.....	5,287,809	445,736	5,733,545
Pump Station 1.....	-	1,399,178	1,399,178
Pump Station 2.....	-	3,297,154	3,297,154
Other Muni Agencies.....	3,347,001	-	3,347,001
Pipeline Maintenance and Repair.....	11,136,478	188,421	11,324,899
Wastewater Collection (WWC) Engineering and Planning.....	2,489,863	-	2,489,863
<b>Total Transmission.....</b>	<b>40,694,902</b>	<b>5,330,489</b>	<b>46,025,391</b>
<b>Treatment and Disposal</b>			
Point Loma Wastewater Treatment Plant (PTLWWTP).....	-	22,473,867	22,473,867
North City Water Reclamation Plant (NCWRP).....	-	9,185,938	9,185,938
South Bay Water Reclamation Plant (SBWRP).....	-	8,293,168	8,293,168
Metropolitan Biosolids Center (MBC).....	-	15,671,958	15,671,958
Cogeneration Facilities.....	-	1,255,043	1,255,043
Gas Utilization Facility (GUF).....	-	1,844,210	1,844,210
Wastewater Treatment and Disposal (WWTD) Plant Engineering.....	-	785,166	785,166
<b>Total Treatment and Disposal.....</b>	<b>-</b>	<b>59,509,350</b>	<b>59,509,350</b>
<b>Quality Control</b>			
Sewage Testing and Control.....	1,383,708	336,661	1,720,369
Marine Biology and Ocean Operations.....	-	6,497,400	6,497,400
Wastewater Chemistry Services.....	597,951	5,290,037	5,887,988
Industrial Permitting and Compliance.....	3,922,409	-	3,922,409
<b>Total Quality Control.....</b>	<b>5,904,068</b>	<b>12,124,098</b>	<b>18,028,166</b>
<b>Engineering</b>			
Program Management and Review.....	3,357,100	7,311,587	10,668,687
Environmental Support.....	1,042,960	226,448	1,269,408
<b>Total Engineering.....</b>	<b>4,400,060</b>	<b>7,538,035</b>	<b>11,938,095</b>
<b>Operational Support</b>			
Central Support: Clean Water Operations Management Network (Comnet).....	135,744	2,795,659	2,931,403
Operational Support.....	1,340,883	6,487,047	7,827,930
<b>Total Operational Support.....</b>	<b>1,476,627</b>	<b>9,282,706</b>	<b>10,759,333</b>
<b>General and Administrative</b>			
Business Support Administration.....	21,491,032	19,892,457	41,383,489
Operating Division Administration.....	7,282,556	5,561,566	12,844,122
<b>Total General and Administrative.....</b>	<b>28,773,588</b>	<b>25,454,023</b>	<b>54,227,611</b>
<b>TOTAL OPERATING EXPENSES.....</b>	<b>81,249,245</b>	<b>119,238,701</b>	<b>200,487,946</b>
<b>CAPITAL IMPROVEMENT EXPENSE.....</b>	<b>76,693,620</b>	<b>24,077,048</b>	<b>100,770,668</b>
<b>DEBT SERVICE ALLOCATION.....</b>	<b>41,540,590</b>	<b>64,666,834</b>	<b>106,207,424</b>
<b>METROPOLITAN SYSTEM INCOME CREDITS.....</b>			
Operating Revenue.....	-	(10,133,529)	(10,133,529)
Capital Improvement Project (CIP) - Revenue Bond Issue.....	-	-	-
Operating - Grant Revenue.....	-	-	-
Capital Improvement Project (CIP) - Grant/SRF Revenue.....	-	(16,680,514)	(16,680,514)
<b>TOTAL METROPOLITAN SYSTEM INCOME CREDITS.....</b>	<b>-</b>	<b>(26,814,043)</b>	<b>(26,814,043)</b>
<b>TOTAL ALLOCATION FOR BILLING PURPOSES.....</b>	<b>\$ 199,483,455</b>	<b>\$ 181,168,540</b>	<b>\$ 380,651,995</b>

See Accompanying Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility.

## **CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**

### **Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility For the Fiscal Year Ended June 30, 2016**

#### **Note 1 – General**

The City of San Diego Public Utilities Department (the PUD) operates and maintains the Metropolitan Wastewater System (the Metropolitan System) and the Municipal Wastewater Collection System (the Municipal System). The Participating Agencies and the City of San Diego (the City) have entered into the Regional Wastewater Disposal Agreement dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010, for their respective share of usage and upkeep of the Metropolitan Wastewater Utility. The accompanying Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule), represents the allocation of expenses for billing related to the Metropolitan Wastewater Utility of the Participating Agencies.

The Metropolitan System and Municipal System are accounted for as enterprise funds and reported in the Sewer Utility Fund in the City's Comprehensive Annual Financial Report.

#### **Note 2 – Participating Agencies**

The Participating Agencies consist of the following municipalities and districts:

City of Chula Vista	City of National City
City of Coronado	City of Poway
City of Del Mar	Lemon Grove Sanitation District
City of El Cajon	Otay Water District
City of Imperial Beach	Padre Dam Municipal Water District
City of La Mesa	San Diego County Sanitation District

#### **Note 3 – Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The Schedule has been prepared for the purpose of complying with the Regional Wastewater Disposal Agreement between the City and the Participating Agencies as discussed in Note 1 above, and is presented on a modified cash basis of accounting. As a result, the Schedule is not intended to be a presentation of the changes in the financial position of the City or the PUD in conformity with generally accepted accounting principles. The more significant differences are:

1. Purchases of capital assets are presented as capital improvement expense.
2. Depreciation expense on capital assets is not reported in the Schedule.
3. Payments of principal and interest related to long-term debt are reported as debt service allocation.
4. Exclusion in the Schedule for unbudgeted expenses related to compensated absences, liability claims, capitalized interest, pollution remediation, other postemployment benefits, net pension obligation, and landfill closure and postclosure care costs.

The preparation of the Schedule requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT**

### **Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued) For the Fiscal Year Ended June 30, 2016**

#### **Note 4 – Capital Improvement Expense**

Construction costs incurred during the fiscal year (FY) to maintain and improve the Metropolitan and Metropolitan Wastewater Utility and equipment purchases used in the maintenance of the Metropolitan and Municipal Wastewater Utility are included in capital improvement expense.

Metropolitan system capital improvement income credits include, if any, contributions-in-aid-of-construction received from Federal and State granting agencies and reimbursements from bond proceeds.

#### **Note 5 – Debt Service Allocation**

Debt service allocation represents a portion of the principal and interest payments relating to the Senior Sewer Revenue Bonds Series 2009A, the Senior Sewer Revenue Refunding Bonds Series 2009B, 2010A, 2015, and 2016A, and the outstanding State Revolving Fund (SRF) loans from the State of California.

#### **Note 6 – Metropolitan System Income Credits**

Metropolitan System income credits are revenues earned by the Metropolitan System for costs incurred during the current or previous fiscal years. The PUD has agreed to share the income credits from the South Bay Water Reclamation Facility in accordance with the 1998 Regional Wastewater Disposal Agreement. An agreement was reached in FY2015 regarding revenue generated from the South Bay Water Reclamation Facility and revenue sharing payments were issued for FY2006 through FY2014 to the Participating Agencies. During FY2016, revenue sharing payments for FY2015 of approximately \$1.2 million and FY2016 of approximately \$2.0 million were transferred from the City's Water Fund and are included in the Schedule as part of the income credits. During the fiscal year ended June 30, 2016, Metropolitan Biosolids Center (MBC) was charged for accumulated recycled water use from FY2010 – FY2016. In FY2017 after review of the Memorandum of Understanding between the Metropolitan Wastewater Department and Water Department for FY2001 concerning Reclaimed Water and discussion with PUD management and staff, it was determined that this charge be reversed and any ongoing accounts payable eliminated. As such, this charge for recycled water use from FY2010 – FY2016 is not reported in the FY2016 Schedule due to its subsequent reversal.

#### **Note 7 – Total Allocation for Billing Purposes**

Costs to be billed to Participating Agencies include all individual construction projects costs and operation and maintenance expenses attributable to the Metropolitan System. Costs are apportioned back to the Participating Agencies based on their percentage of each of the totals of flow, suspended solids and chemical oxygen demand (COD). Each Participating Agency and the City are sampled quarterly, with plants sampled daily. Beginning in FY2014, the percentages were determined from a new sample data set taken during the fiscal year and annual monitored flow.

For construction projects, percentages were allocated to flow, suspended solids and COD based on each of the project's design and function. The percentages are weighted by total project costs and combined to determine the final three derived percentages. Total annual costs are then allocated based on the three derived percentages and the measured flow, suspended solids and COD of each Participating Agency.

## CITY OF SAN DIEGO PUBLIC UTILITIES DEPARTMENT

### Notes to the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (Continued) For the Fiscal Year Ended June 30, 2016

Operation and maintenance (O&M) costs as a percentage of flow, suspended solids and COD are evaluated based on four cost categories: pump stations, plant operations, technical services and cogeneration. These percentages are weighted by the annual O&M costs for each category, and combined to determine a derived percentage for administrative costs. All O&M costs are then allocated based on the measured flow, suspended solids and COD of each Participating Agency.

#### Note 8 – Administrative Protocol

In May 2010, the City of San Diego and all Participating Agencies signatory to the Regional Wastewater Disposal Agreement established an Administrative Protocol (Protocol) which was effective beginning in fiscal year 2010. The Protocol established a requirement that the Participating Agencies maintain a 1.2 debt service coverage ratio on parity debt, fund a 45-day operating reserve, and earn interest on the operating and unrestricted reserve accounts. All interest earned during fiscal year 2016 was credited to the operating reserve, which ended the fiscal year with the required 45-day reserve.

#### Note 9 – Pure Water Program

In 2014 the City of San Diego began planning for the Pure Water Program. The Pure Water Program is the City's phased, multi-year program that will provide one-third, or 83 million gallons per day (MGD), of San Diego's water supply locally by 2035. The Pure Water Program uses proven technology to clean recycled water to produce safe, high-quality drinking water while providing the benefit of continuing advanced primary treatment at the Point Loma Wastewater Treatment Plant. This program is being jointly funded by both water and wastewater ratepayers, and the Participating Agencies represent approximately 35% of the wastewater portion of this program. During FY2016 the following Pure Water Program costs were incurred that were charged to the Metropolitan Wastewater Fund:

	<b>FY2016 Pure Water Program Costs</b>
Operating and maintenance costs:	
Environmental	\$ 2,111,632
Program management	789,142
Other	1,770
Total operating and maintenance costs	<u>2,902,544</u>
Capital improvement costs:	
North City Water Reclamation Plant expansion	2,349,630
Morena Blvd. pump station and pipeline	<u>1,647,288</u>
Total capital improvement costs	<u>3,996,918</u>
Total Pure Water Program – Metropolitan Wastewater Fund costs	<u>\$ 6,899,462</u>

Pure Water O&M costs consist of task orders for various engineering consultants and other support services that cannot be directly capitalized into a capital improvement project. The final cost allocation of O&M task orders, as well as capital improvement projects is currently in progress and is expected to be finalized in FY2018. At that time, if changes to the draft cost allocation of project costs between water and wastewater is needed, an adjustment will be made during the FY2018 audit of the Schedule.



**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of the Schedule  
of Allocation for Billing to Metropolitan Wastewater Utility Performed  
in Accordance with *Government Auditing Standards***

To the Honorable Mayor and City  
Council of the City of San Diego  
San Diego, California

We have audited, 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, the Schedule of Allocation for Billing to Metropolitan Wastewater Utility (the Schedule) of the City of San Diego Public Utilities Department (PUD), an enterprise fund of the City of San Diego, California (the City), for the fiscal year ended June 30, 2016, and the related notes to the Schedule, and have issued our report thereon dated June 15, 2018. Our report contained an explanatory paragraph indicating that the Schedule was prepared for the purpose of complying with, and in conformity with, the accounting practices prescribed by the Regional Wastewater Disposal Agreement between the City of San Diego and the Participating Agencies in the Metropolitan Wastewater System dated May 18, 1998 and amended on May 15, 2000 and June 3, 2010.

**Internal Control over Financial Reporting**

In planning and performing our audit of the Schedule, we considered the PUD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the PUD's internal control. Accordingly, we do not express an opinion on the effectiveness of the PUD's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the PUD's Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California

June 15, 2018

TABLE A

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
FISCAL YEAR 2016 ESTIMATED UNIT COSTS  
FUNCTIONAL-DESIGN COST ALLOCATION METHOD

TREATMENT PARAMETER	FY 2016 BUDGET		UNITS		COST PER UNIT
WASTEWATER FLOW	AMOUNT \$83,472,843	% 46.1%	57,508	(a)	\$1,451.50 /per Million Gallons
SUSPENDED SOLIDS	\$51,799,793	28.6%	180,914	(b)	\$286.32 /per Thousand Pounds
CHEMICAL OXYGEN DEMAND	\$45,895,901	25.3%	318,457	(c)	\$144.12 /per Thousand Pounds
TOTAL	\$181,168,537	100%			

(a) Units of Flow - Million Gallons Per Year

(b) Units of SS - Thousands of Pounds per Year

(c) Units of COD - Thousands of Pounds per Year

TABLE B

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
 PROJECTED DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2016  
 FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				TOTAL PAID FOR FY 2016	DIFFERENCE
	FLOW (a)	SS (a)	COD (a)	TOTAL FLOW, SS & COD		
CHULA VISTA	\$8,609,356	\$5,361,944	\$4,866,801	\$18,838,101	\$17,975,408	\$862,693
CORONADO	\$688,000	\$473,864	\$333,521	\$1,495,385	\$2,829,916	(\$1,334,531)
DEL MAR	\$287,428	\$220,925	\$103,021	\$611,374	\$281,928	\$329,446
EAST OTAY MESA	\$23,502	\$14,604	\$12,305	\$50,411	\$42,604	\$7,807
EL CAJON	\$3,892,749	\$2,732,079	\$2,128,389	\$8,753,216	\$9,315,460	(\$562,244)
IMPERIAL BEACH	\$1,200,401	\$558,315	\$507,178	\$2,265,894	\$2,242,532	\$23,362
LA MESA	\$2,304,930	\$1,306,998	\$1,022,202	\$4,634,130	\$4,480,624	\$153,506
LAKESIDE/ALPINE	\$1,487,801	\$1,040,771	\$887,305	\$3,415,877	\$3,623,460	(\$207,583)
LEMON GROVE	\$896,523	\$450,664	\$437,894	\$1,785,081	\$2,301,960	(\$516,879)
NATIONAL CITY	\$2,164,141	\$1,167,117	\$1,185,953	\$4,517,211	\$5,187,792	(\$670,581)
OTAY	\$78,884	\$247,191	\$93,837	\$419,912	\$812,536	(\$392,624)
PADRE DAM	\$1,208,174	\$1,428,352	\$961,628	\$3,598,153	\$4,218,144	(\$619,991)
POWAY	\$1,380,175	\$855,618	\$638,151	\$2,873,944	\$3,525,716	(\$651,772)
SPRING VALLEY	\$2,222,320	\$1,324,423	\$1,117,647	\$4,664,391	\$7,087,320	(\$2,422,929)
WINTERGARDENS	\$485,464	\$347,901	\$264,827	\$1,098,192	\$1,103,696	(\$5,504)
SUBTOTAL PARTICIPATING AGENCIES	\$26,929,849	\$17,530,764	\$14,560,658	\$59,021,272	\$65,029,096	(\$6,007,824)
SAN DIEGO	\$56,542,994	\$34,269,029	\$31,335,243	\$122,147,265		
TOTAL	\$83,472,843	\$51,799,793	\$45,895,901	\$181,168,537		



TABLE C

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2016  
SYSTEM STRENGTH LOADINGS INCLUDED

AGENCY	WASTEWATER CHARACTERISTICS			UNADJUSTED ANNUAL USE			ADJUSTED ANNUAL USE				
	AVERAGE FLOW - mgd (a)	SS mg/l (b)	COD mg/l (b)	2016 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2016 FLOWS million gallons	Flow Difference (c)	FY 2016 Billing Flows	SS thousand pounds	COD thousand pounds
CHULA VISTA	15.438	277	743	5,650.389	13,046	35,024	6,113.671	(182.315)	5,931.356	18,727	33,769
CORONADO	1.234	306	637	451.540	1,153	2,400	488.562	(14.569)	473.992	1,655	2,314
DEL MAR	0.515	341	471	188.641	538	741	204.108	(6.087)	198.022	772	715
EAST OTAY MESA	0.042	276	688	15.425	36	89	16.690	(0.498)	16.192	51	85
EL CAJON	6.980	312	718	2,554.842	6,647	15,317	2,764.316	(82.434)	2,681.882	9,542	14,768
IMPERIAL BEACH	2.153	207	555	787.833	1,358	3,650	852.428	(25.420)	827.008	1,950	3,519
LA MESA	4.133	252	583	1,512.744	3,180	7,356	1,636.776	(48.810)	1,587.966	4,565	7,093
LAKESIDE/ALPINE	2.668	311	784	976.456	2,532	6,386	1,056.517	(31.506)	1,025.010	3,635	6,157
LEMON GROVE	1.608	223	642	588.395	1,097	3,151	636.638	(18.985)	617.653	1,574	3,038
NATIONAL CITY	3.881	240	720	1,420.343	2,840	8,535	1,536.799	(45.829)	1,490.970	4,076	8,229
OTAY	0.141	1,392	1,563	51.772	601	675	56.017	(1.670)	54.347	863	651
PADRE DAM	2.166	525	1,046	792.934	3,475	6,920	857.948	(25.585)	832.363	4,989	6,672
POWAY	2.475	275	608	905.820	2,082	4,592	980.089	(29.227)	950.862	2,988	4,428
SPRING VALLEY	3.985	265	661	1,458.527	3,222	8,043	1,578.113	(47.061)	1,531.052	4,626	7,755
WINTERGARDENS	0.871	318	717	318.614	846	1,906	344.738	(10.280)	334.457	1,215	1,838
SUBTOTAL PARTICIPATING AGENCIES	48.290	289	710	17,674.276	42,654	104,787	19,123.409	(570.278)	18,553.132	61,227	101,032
SAN DIEGO	101.392	269	728	37,109.619	83,379	225,506	40,152.279	(1,197.378)	38,954.901	119,687	217,425
REGIONAL SLUDGE RETURNS	12.273	260	180	4,491.793	9,743	6,760					
FLOW DIFFERENCE	(4.830)			(1,767.655)	45,138	(18,595)					
TOTAL	157.126	377	664	57,508.033	180,914	318,457	59,275.688	(1,767.655)	57,508.033	180,914	318,457

TABLE D

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
 ALLOCATION OF FISCAL YEAR 2016 ESTIMATED BUDGET  
 FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

DESCRIPTION	FY 2016 ACTUAL COSTS	ALLOCATION OF COSTS						TOTAL COSTS
		FLOW %	FLOW COSTS	SS %	SS COSTS	COD %	COD COSTS	
<u>OPERATION AND MAINTENANCE :</u>								
TRANSMISSION AND SYSTEM MAINTENANCE	\$5,330,489	100.0%	\$5,330,489	0.0%	\$0	0.0%	\$0	\$5,330,489
OPERATIONS & MAINTENANCE	\$55,624,931	37.7%	\$20,975,183	33.4%	\$18,573,436	28.9%	\$16,076,312	\$55,624,931
TECHNICAL SERVICES	\$11,787,437	30.0%	\$3,536,231	40.0%	\$4,714,975	30.0%	\$3,536,231	\$11,787,437
COGENERATION	\$1,895,099	0.0%	\$0	60.0%	\$1,137,060	40.0%	\$758,040	\$1,895,099
METRO ADMIN & GENERAL EXPENSES - 41508	\$23,504,134	40.0%	\$9,397,472	32.7%	\$7,691,791	27.3%	\$6,414,872	\$23,504,134
METRO ADMIN & GENERAL EXPENSES - 41509	\$13,223,600	40.0%	\$5,287,087	32.7%	\$4,327,458	27.3%	\$3,609,054	\$13,223,600
TOTAL OPERATIONS AND MAINTENANCE	\$111,365,690	39.98%	\$44,526,462	32.73%	\$36,444,720	27.29%	\$30,394,508	\$111,365,690
<u>CAPITAL IMPROVEMENT PROGRAM :</u>								
PAY-AS-YOU-GO METRO 41508	\$3,220,783	55.8%	\$1,797,030	22.0%	\$708,501	22.2%	\$715,252	\$3,220,783
PAY-AS-YOU-GO METRO 41509	\$1,915,230	55.8%	\$1,068,599	22.0%	\$421,308	22.2%	\$425,323	\$1,915,230
DEBT SERVICE	\$64,666,834	55.8%	\$36,080,751	22.0%	\$14,225,264	22.2%	\$14,360,818	\$64,666,834
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$69,802,847	55.8%	\$38,946,381	22.0%	\$15,355,073	22.2%	\$15,501,393	\$69,802,847
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$181,168,537	<b>46.1%</b>	\$83,472,843	<b>28.6%</b>	\$51,799,793	<b>25.3%</b>	\$45,895,901	\$181,168,537

**Attachment 5**

**Metro**

**Wastewater JPA**

**FY 2016 Budget**

**to Audit**

**Reconciliaton**

July 19, 2018

TO: Metro Wastewater JPA Finance Committee

FROM: Paula de Sousa-Mills, Karyn Keese, Karen Jassoy

At the May 2018 Finance Committee Meeting the Committee asked, as part of the FYE 2019 budget discussions, whether the JPA budget was retroactively adjusted when the Metro Exhibit E audit was completed. Each year the JPA budget is allocated based on the January Metro budget projections cost allocations for flow and strength for the upcoming year. However, it has not been the JPA's past practice to reconcile the JPA budget to the Exhibit E final revised cost allocations. It was decided that this should be explored by the JPA's legal and financial staff and a review be brought back to the Committee for discussion at its next meeting.

The language in the JPA Agreement regarding the annual budget and administrative expenses provides as follows:

**Section 6.05. Annual Budget and Administrative Expenses.** The Board may adopt a budget for administrative expenses, which shall include all expenses not included in any financing transaction of the JPA, annually prior to July 1 of each year. These expenses shall be designated Administrative Expenses of the JPA and shall be allocated by the Board proportionately to each of the Participating Agencies based on its Proportionate Flow in the Metropolitan Sewerage System and the strength of its wastewater as determined by the City of San Diego pursuant to the Regional Wastewater Disposal Agreement.

In addition to the review of the JPA agreement by legal staff, financial staff was asked to prepare a reconciliation for review by the Committee. With the recent completion of the FY 2016 Exhibit E audit financial staff prepared a retroactive adjustment to the FYE 2016 JPA budget. This reconciliation is summarized in the following table:

	Adopted/Billed FY '16		Metro Audited FY'16		
	Commission Flow Distribution	Total Agency Billings	Audit Flow/Strength Distribution	Total Agency Billings Per Audit	Over/ (Under) Budget
	%		%		
Chula Vista	27.57%	\$ 70,757	31.917%	\$ 81,903	\$ 11,146
Coronado	4.30%	\$ 11,035	2.534%	\$ 6,502	\$ (4,533)
County of SD *	18.68%	\$ 47,933	15.64%	\$ 40,125	\$ (7,808)
Del Mar	0.91%	\$ 2,342	1.036%	\$ 2,658	\$ 316
El Cajon	13.48%	\$ 34,587	14.83%	\$ 38,057	\$ 3,470
Imperial Beach	3.91%	\$ 10,032	3.84%	\$ 9,852	\$ (180)
La Mesa	8.01%	\$ 20,552	7.85%	\$ 20,148	\$ (404)
Lemon Grove	3.85%	\$ 9,883	3.024%	\$ 7,761	\$ (2,122)
National City	8.08%	\$ 20,743	7.654%	\$ 19,640	\$ (1,103)
Otay Water District	0.68%	\$ 1,740	0.711%	\$ 1,826	\$ 86
Padre Dam MWD	4.93%	\$ 12,648	6.096%	\$ 15,644	\$ 2,996
Poway	5.60%	\$ 14,358	4.869%	\$ 12,495	\$ (1,863)
Total Flow	100.00%	\$ 256,610	100.000%	\$ 256,610	\$ 0
Total Required Agency Billings from P&L		\$ 256,610			

\* County of SD includes East Otay Mesa, Lakeside/Alpine, Spring Valley and Wintergardens

The concept of retroactively adjusting the JPA budget to Exhibit E was discussed in general concepts with the Metro TAC at its June meeting. It was the consensus that if permitted under the JPA Agreement:

1. The JPA budget should be reconciled to the Exhibit E audit for that year once completed as it is not a labor intensive process.
2. That the credits and/or additional billings should be made in conjunction with the annual billing to JPA member for the upcoming year's budget and not be the subject of a special billing or adjustment if the Exhibit E audit should not be completed in June of each year.
3. That this should start with the FYE 2016 Exhibit E audit/JPA budget year and that no retro-adjustments for prior years should be pursued.

Should the Committee agree with the concept of the retroactive adjustment it would move forward to the Metro JPA for review and potential approval at its August meeting. The adjustments would be made to the FYE 2019 JPA budget billings for the FYE 2016 audit which will be sent out in August after the Metro Commission/JPA meeting and will not constitute a special billing.

Attachment 6  
Metro  
Wastewater JPA  
FY 2014 to FY  
2015 Audit

Board of Directors  
Metro Wastewater Joint Powers Authority  
Santee, California

We have audited the financial statements of the Metro Wastewater Joint Powers Authority (the Authority) for the two-years ended June 30, 2015 and have issued our report thereon dated June 15, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the engagement letter dated December 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters:**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Metro Wastewater Joint Powers Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the two-years ended June 30, 2015. We noted no transactions entered into by Metro Wastewater Joint Powers Authority during the two-years for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was the collectability of accounts receivable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statement was the member agency assessment that is based on each agency's projected treated wastewater flow discharge.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **Significant Audit Findings (Continued)**

### *Corrected and Uncorrected Adjustments*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known or likely adjustments identified during the audit, other than those that are clearly trivial.

### *Disagreements with Management*

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 15, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

We applied certain limited procedures to Management's Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



*Restriction on Use*

This information is intended solely for the use of the Board of Directors and management of the Metro Wastewater Joint Powers Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*White Nelson Nick Evans LLP*

June 15, 2018  
Carlsbad, CA

METRO WASTEWATER JOINT POWERS AUTHORITY

BASIC FINANCIAL STATEMENTS

WITH REPORT ON AUDIT BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 2015

**BASIC FINANCIAL STATEMENTS****TWO-YEAR PERIOD ENDED JUNE 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Metro Wastewater Joint Powers Authority  
Santee, California

We have audited the accompanying financial statements of the Metro Wastewater Joint Powers Authority (the Authority) as of and for the two-year period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metro Wastewater Joint Powers Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the two-years 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 the management's discussion and analysis as identified in the accompanying table of contents, 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

*White Nelson Dick Evans LLP*

Carlsbad, California  
June 15, 2018

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

My discussion and analysis of Metro Wastewater Joint Powers Authority's (JPA) financial performance provides an overview of Metro's financial activities for the two year period ended June 30, 2015. Please read it in conjunction with the JPA's financial statements, which follow this section. The year ended June 30, 2013 is provided for reference.

### **Financial Statements**

This discussion and analysis provides an introduction and a brief description of the JPA's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The JPA's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Basic Financial Statements

The statement of net position includes all of the JPA's assets and liabilities, with the difference between the two reported as net position. There were no deferred outflows or deferred inflows of resources for the year ended June 30, 2015. The JPA's entire net position is unrestricted.

The statement of revenues, expenses and changes in net position presents information which shows how the JPA's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the JPA's operations over the past year and determines whether the JPA has recovered its costs through member agency assessments.

The statement of cash flows provides information regarding the JPA's cash receipts and cash disbursements during the year. This statement reports the JPA's cash activity as either Operating or Investing; the JPA had no Capital and Related Financing Activities or Noncapital and Related Financing Activities for the year. The statement of cash flows differs from the statement of revenues, expenses and changes in net position because it accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

### **Financial Highlights**

For the two year period ended June 30, 2015, the JPA's total net position decreased by \$20,035. The JPA's operating revenues of \$475,225 increased by \$5,000 from fiscal year 2013 to fiscal year 2014 and \$18,195 from fiscal year 2014 to fiscal year 2015. Operating expenses of \$495,362 increased by \$75,860 from fiscal year 2013 to fiscal year 2014 and decreased by \$41,677 from fiscal year 2014 to fiscal year 2015. Non-operating revenues decreased by \$11 from fiscal year 2013 to 2014 and \$34 from fiscal year 2014 to 2015. There were no non-operating expenses.

**Financial Analysis of the Financial Statements****Net Position**

The JPA's net position at June 30, 2015 totaled \$126,475 compared to \$146,510 at June 30, 2013. The decrease in net position is attributed to an operating loss for the two year period, net of operating expenses, of \$20,137 and \$102 of nonoperating revenue. The following is a summary of the JPA's statement of net position:

	<u>June 30, 2015</u>	<u>June 30, 2013</u>	<u>Difference</u>
<b>Assets</b>			
Current Assets	<u>\$ 197,101</u>	<u>\$ 222,089</u>	<u>\$ (24,988)</u>
Total Assets	<u>197,101</u>	<u>222,089</u>	<u>(24,988)</u>
<b>Liabilities</b>			
Current Liabilities	<u>70,626</u>	<u>75,579</u>	<u>(4,953)</u>
Total Liabilities	<u>70,626</u>	<u>75,579</u>	<u>(4,953)</u>
<b>Net Position</b>			
Unrestricted	<u>126,475</u>	<u>146,510</u>	<u>(20,035)</u>
Total Net Position	<u>\$ 126,475</u>	<u>\$ 146,510</u>	<u>\$ (20,035)</u>

**Revenues, Expenses and Changes in Net Position**

This audit covers the two year period from July 1, 2013 to June 30, 2015. The prior audit was for the year ended June 30, 2013. For this reason, this section compares the change in revenues, expenses and net position on a year by year basis.

The JPA reported a negative change in net position of \$20,035 for the two year period ended June 30, 2015 or a negative \$39,936 for the fiscal year ended June 30, 2014 and a positive \$19,901 for the fiscal year ended June 30, 2015; this is a decrease of \$70,876 from fiscal year 2013 to 2014 and an increase of \$59,837 from fiscal year 2014 to 2015. Revenues for the two year period were \$475,327 or \$228,583 for the fiscal year ended June 30, 2014 and \$246,744 for the fiscal year ended June 30, 2015; this is an increase of \$4,983 from fiscal year 2013 to 2014 and an increase of \$18,161 from fiscal year 2014 to 2015 due to increased contributions from member agencies. Operating expenses for the two year period were \$495,362 or \$268,519 for the fiscal year ended June 30, 2014 and \$226,843 for the fiscal year ended June 30, 2015. This is an increase of \$75,859 from fiscal year 2013 to 2014 and a decrease of \$41,677 from fiscal year 2014 to 2015. The increase from fiscal year 2013 to 2014 was primarily due to additional legal work by BB&K, additional consulting work by Atkins, a redesign of the JPA website and additional JPA meetings/expenses. The decrease from fiscal year 2014 to 2015 was primarily due to no website redesign in 2015, a decrease in legal work from BB&K, a decrease in consulting work from Atkins and a reduction in JPA meetings/expenses.

**Financial Analysis of the Financial Statements (continued)****Revenues, Expenses and Changes in Net Position (continued)**

The following is a summary of the JPA's statement of revenues, expenses and changes in net position:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Difference FY15 to FY13</u>	<u>Difference FY14 to FY13</u>
Operating Revenues	\$ 246,710	\$ 228,515	\$ 223,515	\$ 23,195	\$ 5,000
Nonoperating Revenues	34	68	85	(51)	(17)
Total Revenues	<u>246,744</u>	<u>228,583</u>	<u>223,600</u>	<u>23,144</u>	<u>4,983</u>
Operating Expenses	<u>226,843</u>	<u>268,519</u>	<u>192,660</u>	<u>34,183</u>	<u>75,859</u>
Total Expenses	<u>226,843</u>	<u>268,519</u>	<u>192,660</u>	<u>34,183</u>	<u>75,859</u>
Changes in Net Position	19,901	(39,936)	30,940	(11,039)	(70,876)
Net Position at Beg of Year	<u>106,574</u>	<u>146,510</u>	<u>115,570</u>	<u>(8,996)</u>	<u>30,940</u>
Net Position at End of Year	<u>\$ 126,475</u>	<u>\$ 106,574</u>	<u>\$ 146,510</u>	<u>\$ (20,035)</u>	<u>\$ (39,936)</u>

**Long-Term Debt and Capital Assets**

The JPA has no long-term debt or capital assets.

**Conditions Affecting Current Financial Position**

There are no known facts, decisions, or conditions that are expected to have a significant effect on the JPA's net position or future results of operations.

**Contacting the JPA's Financial Manager**

This financial report is designed to provide Metro Wastewater JPA's member agencies, their constituents and the State of California with a general overview of the JPA's finances and to demonstrate the JPA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the JPA's treasurer, Karen Jassoy.



**METRO WASTEWATER  
JOINT POWERS AUTHORITY**

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STATEMENT OF NET POSITION  
June 30, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 163,657
Accounts receivable	33,444
Total Current Assets	<u>197,101</u>

TOTAL ASSETS	<u>197,101</u>
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LIABILITIES

Current Liabilities:

Accounts payable	70,626
Total Current Liabilities	<u>70,626</u>

TOTAL LIABILITIES	<u>70,626</u>
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NET POSITION

Unrestricted	<u>126,475</u>
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TOTAL NET POSITION	<u>\$ 126,475</u>
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**METRO WASTEWATER  
JOINT POWERS AUTHORITY**

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the two-year period ended June 30, 2015

OPERATING REVENUES	
Member agency assessments	\$ 475,225
Total Operating Revenues	475,225
OPERATING EXPENSES	
Engineering	301,713
Directors meetings	49,662
General and administrative	78,875
Legal	65,112
Total Operating Expenses	495,362
OPERATING INCOME	(20,137)
NONOPERATING REVENUES	
Investment income	102
Total Nonoperating Revenues	102
Change in Net Position	(20,035)
Net Position, Beginning of Period	146,510
Net Position, End of Period	\$ 126,475

See accompanying notes to basic financial statements.

**METRO WASTEWATER  
JOINT POWERS AUTHORITY**

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STATEMENT OF CASH FLOWS  
For the two-year period ended June 30, 2015

**Cash Flows from Operating Activities:**

Cash receipts from membership agency assessments	\$ 472,862
Cash paid to vendors and suppliers for materials and services	<u>(522,292)</u>
Net Cash Used by Operating Activities	<u>(49,430)</u>

**Cash Flows from Investing Activities:**

Interest earnings	<u>102</u>
Net Cash Provided by Investing Activities	<u>102</u>

Net Decrease in Cash and Cash Equivalents	(49,328)
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<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>212,985</u>
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<b>Cash and Cash Equivalents, End of Period</b>	<u><u>\$ 163,657</u></u>
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**Reconciliation of Operating Loss to Net Cash Flows Used by Operating Activities:**

Operating loss	<u>\$ (20,137)</u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(24,340)
Decrease in accounts payable	<u>(4,953)</u>
Total Adjustments	<u>(29,293)</u>
Net Cash Used by Operating Activities	<u><u>\$ (49,430)</u></u>

June 30, 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Organization and Operations of the Reporting Entity:

The Metropolitan Wastewater Commission was formed in 1998 pursuant to the terms of the 1998 Regional Wastewater Disposal Agreement between the City of San Diego and the following municipalities collectively referred to as the Participating Agencies: Cities of Chula Vista, Coronado, Del Mar, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, the Otay Water District, Padre Dam Municipal Water District, East Otay Mesa, Lakeside/Alpine, Spring Valley, and Winter Gardens Sanitation District. The Metropolitan Wastewater Commission is an advisory body to the City of San Diego, advising the City on matters affecting the Metro System, owned by the City of San Diego.

In 2001 the Metro Wastewater Joint Powers Authority (the Authority) was formed to provide the Participating Agencies with a stronger voice in the operations of the Metro System, for which they collectively pay approximately 35% of the operation and capital costs. As of October 2007, all Participating Agencies of the Metropolitan Wastewater Commission are members of the Authority.

The Authority, along with the Metropolitan Wastewater Commission acts as partners with the City of San Diego and the City's Metropolitan Wastewater Department in planning and budget development, and through its participation in the Metro Technical Advisory Committee, monitors the implementation of the City of San Diego Metropolitan Wastewater Plan and the City's Metropolitan Wastewater Department's engineering and financial practices.

b. Measurement Focus, Basis of Accounting and Financial Statements Presentation:

"Measurement focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of accounting" refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting". Under the economic resources measurement focus all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues, mainly member agency assessments, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, result from non-exchange transactions, in which, the Authority receives value without directly giving value in exchange.

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

b. Measurement Focus, Basis of Accounting and Financial Statements Presentation (continued):

The basic financial statements of the Metro Wastewater Joint Powers Authority have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net position of the Authority is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. The Authority has no net investment in capital assets at June 30, 2015.

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority has no amounts in restricted net position at June 30, 2015.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

When both restricted and unrestricted resources are available for use, it is the Authority’s practice to use restricted resources first, then unrestricted resources as they are needed.

c. New Accounting Pronouncements:

**Implemented:**

- GASB 65 - “*Items Previously Reported as Assets and Liabilities*”, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 66 - “*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*”, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 67 - “*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*” required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 68 - “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*”, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

c. New Accounting Pronouncements (Continued):

**Implemented (continued):**

- GASB Statement No. 69 - *“Government Combinations and Disposals of Government Operations”*, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 70 - *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.
- GASB 71 - *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68”*, required to be implemented during the two year period ended June 30, 2015 and did not impact the Authority.

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the Authority’s financial reporting requirements in the future:

- GASB 72 - *“Fair Value Measurement and Application”*, effective for periods beginning after June 15, 2015.
- GASB 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68”*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 76 - *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, effective for periods beginning after June 15, 2015.
- GASB 77 - *“Tax Abatement Disclosure”*, effective for periods beginning after December 15, 2015.
- GASB 78 - *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.
- GASB 79 - *“Certain External Investment Pools and Pool Participants”*, the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, is effective for periods beginning after December 15, 2015.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Pending Accounting Standards** (continued):

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016.
- GASB 81 - *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016.
- GASB 82 – *Pension Issues -An Amendment of GASB Statement No. 67, No. 68, and No.73*, effective for periods beginning after June 15, 2016.
- GASB 83 – “*Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* for periods beginning after June 15,2018.

d. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Authority considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

e. Accounts Receivable:

Management believes that all receivables are fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2015.

f. Budgetary Controls:

The Authority prepares a budget that is approved by the Board of Directors. Unspent appropriations for the operating budget lapse at fiscal year-end unless designated by Board action to be carried forward to the next budget period.

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**g. Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**h. Subsequent Events:**

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosures as of June 15, 2018, which is the date these financial statements were available to be issued.

**2. CASH AND INVESTMENTS:**

At June 30, 2015, the \$163,657 of cash and cash equivalents shown on the Statement of Net Position are deposits with financial institutions.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, there were no deposits with financial institutions in excess of the Federal insurance limits.



**3. MEMBER AGENCY ASSESSMENTS:**

The Authority prepares an expense budget, then calculates member agency assessments to cover budgeted expenses. Member agency assessments are based on each agency's projected treated wastewater flow discharge. The projected discharge is based on the actual figures from the prior year.

	For the Fiscal Year Ending June 30, 2014		For the Fiscal Year Ending June 30, 2015		
	Commission		Commission		
	Flow		Flow		
	Distribution		Distribution		
Agency	Percentage	Billings	Percentage	Billings	Total Billings
Chula Vista	28.34	\$ 64,761	28.31	\$ 69,843	\$ 134,604
Coronado	3.62	8,268	4.22	10,411	18,679
County of San Diego	19.27	44,037	18.95	46,752	90,789
Del Mar	0.95	2,169	0.42	1,036	3,205
El Cajon	13.49	30,818	13.68	33,750	64,568
Imperial Beach	3.70	8,456	3.84	9,474	17,930
La Mesa	7.96	18,179	7.63	18,824	37,003
Lemon Grove	3.70	8,471	3.77	9,301	17,772
National City	7.52	17,179	7.78	19,194	36,373
Otay Water District	0.65	1,485	0.67	1,653	3,138
Padre Dam	4.93	11,275	4.67	11,521	22,796
Poway	5.87	13,417	6.06	14,951	28,368
Total	100.00	\$ 228,515	100.00	\$ 246,710	\$ 475,225