

**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, 2023**



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**METRO WASTEWATER JOINT POWERS AUTHORITY  
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TWO-YEAR PERIOD ENDED JUNE 30, 2023**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Metro Wastewater Joint Powers Authority  
National City, California

### ***Report on the Audit of Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of Metro Wastewater Joint Powers Authority (the Authority) as of and for the two-year period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2023, and the changes in financial position and its cash flows for the two-year period then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified as required supplementary information (RSI) 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Irvine, California  
September 24, 2024

**METRO WASTEWATER JOINT POWERS AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
TWO-YEAR PERIOD ENDED JUNE 30, 2023**

Our 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, 2023. Please read it in conjunction with the JPA's financial statements, which follow this section.

**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 at June 30, 2023. The JPA's entire net position is unrestricted.

The statement of revenues, expenses, and changes in net position shows how the JPA's net position changed during the two-year period. All revenues and expenses were 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 two years 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 two-year period ended June 30, 2023. 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 two-year period ended June 30, 2023. 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.

**METRO WASTEWATER JOINT POWERS AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
TWO-YEAR PERIOD ENDED JUNE 30, 2023**

**Financial Highlights**

For the two-year period ended June 30, 2023, the JPA's total net position decreased by \$322,047. Operating revenues, which is comprised of Member Agency Assessments, is set annually to cover the cost of operations. For the two-year period ending June 30, 2023, operating revenues were \$806,618 or an increase of \$69,418 from the prior two-year period. The reason for the increase is increase in the budget (projected expenses) that resulted in an increase in billing to the member agencies. Operating expenses for the two-year period ending June 30, 2023 was \$1,129,010; this an increase from the prior two-year period of \$699,114. The reason for this increase was due to increase in expenses including the work on the Second Amended and Restated Regional Agreement (SARA) and the development of a new Metro Billing System of Charges based upon the Functional Allocation Based (FAB) cost allocations. These major projects included work by all legal, engineering and financial consultants. There was also an increase in the number of in person JPA/Commission meetings that resulted in an increase in per diem expenses and meeting expenses. There were no non-operating expenses.

**Financial Analysis of the Financial Statements**

**Net Position**

The JPA's net position at June 30, 2023 totaled \$247,595 compared to \$569,642 at June 30, 2021. The \$322,047 decrease in net position is attributed to operating net loss for the two-year period of \$322,392. The following is a summary of the JPA's statement of net position:

	<u>June 30, 2021</u>	<u>June 30, 2023</u>	<u>Difference</u>
Assets:			
Current Assets	\$ 613,741	\$ 318,201	\$ (295,540)
Total Assets	<u>613,741</u>	<u>318,201</u>	<u>(295,540)</u>
Liabilities:			
Current Liabilities	<u>44,099</u>	<u>70,606</u>	<u>26,507</u>
Total Liabilities	<u>44,099</u>	<u>70,606</u>	<u>26,507</u>
Net Position:			
Unrestricted	<u>569,642</u>	<u>247,595</u>	<u>(322,047)</u>
Total Net Position	<u>\$ 569,642</u>	<u>\$ 247,595</u>	<u>\$ (322,047)</u>

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

The JPA reported a decrease in net position of \$322,047 for the two-year period ended June 30, 2023. This is a decrease of \$629,728 compared to the two-year period ending June 30, 2021.

**METRO WASTEWATER JOINT POWERS AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
TWO-YEAR PERIOD ENDED JUNE 30, 2023**

**Financial Analysis of the Financial Statements (Continued)**

**Revenues, Expenses, and Changes in Net Position (Continued)**

Revenues for the two-year period were \$806,963 or \$222,373 and \$584,245 for fiscal years 2022 and 2023, respectively; this is an increase of \$69,386 from the two-year period ended June 30, 2021. The increase was due to increased billing to member agencies.

Operating expenses for the two-year period ending June 30, 2023 were \$1,129,010 or \$ 495,744 and \$633,266 for fiscal years 2022 and 2023, respectively; this is an increase of \$699,114 from the two-year period ending June 30, 2021. The increase was due to the increase in expenses including the work on the Second Amended and Restated Regional Agreement (SARA) and the development of a new Metro Billing System of Charges based upon the Functional Allocation Based (FAB) cost allocations. These major projects included work by all legal, engineering and financial consultants. There was also an increase in the number of in person JPA/Commission meetings that resulted in an increase in per diem expenses and meeting expenses.

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

	<u>June 30, 2021</u>	<u>June 30, 2023</u>	<u>Difference</u>
Operating Revenues	\$ 737,200	\$ 806,618	\$ 69,418
Nonoperating Revenues	377	345	(32)
Total Revenues	<u>737,577</u>	<u>806,963</u>	<u>69,386</u>
Operating Expenses	<u>429,896</u>	<u>1,129,010</u>	<u>699,114</u>
<b>Changes in Net Position</b>	307,681	(322,047)	(629,728)
Net Position - Beginning of Period	<u>291,961</u>	<u>599,642</u>	<u>307,681</u>
<b>Net Position - End of Period</b>	<u>\$ 599,642</u>	<u>\$ 277,595</u>	<u>\$ (322,047)</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, Lee Ann Jones-Santos.

## **BASIC FINANCIAL STATEMENTS**

**METRO WASTEWATER JOINT POWERS AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 302,774
Due from Other Government	<u>15,427</u>
Total Assets	<u>318,201</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable	<u>70,606</u>
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**NET POSITION**

Unrestricted	<u>247,595</u>
Total Net Position	<u>\$ 247,595</u>

*See accompanying Notes to Basic Financial Statements.*

**METRO WASTEWATER JOINT POWERS AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 2023**

<b>OPERATING REVENUES</b>	
Member Agency Assessments	<u>\$ 806,618</u>
<b>OPERATING EXPENSES</b>	
Engineering	370,828
JPA Meetings	43,617
General and Administrative	72,013
Legal	393,455
Financial Advisor	222,432
Other Professional Services	<u>26,665</u>
Total Operating Expenses	<u>1,129,010</u>
<b>OPERATING LOSS</b>	(322,392)
<b>NONOPERATING REVENUES</b>	
Investment Income	<u>345</u>
<b>CHANGE IN NET POSITION</b>	(322,047)
Net Position - Beginning of Period	<u>569,642</u>
<b>NET POSITION - END OF PERIOD</b>	<u><u>\$ 247,595</u></u>

See accompanying Notes to Basic Financial Statements.

**METRO WASTEWATER JOINT POWERS AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Receipts from Membership Agency Assessments	\$ 798,887
Cash Paid to Vendors and Suppliers for Materials and Services	<u>(1,102,503)</u>
Net Cash Used by Operating Activities	<u>(303,616)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Earnings	<u>345</u>
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**NET CHANGE IN CASH AND CASH EQUIVALENTS**

(303,271)

Cash and Cash Equivalents - Beginning of Period

606,045

**CASH AND CASH EQUIVALENTS - END OF PERIOD**

\$ 302,774

**RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS  
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (322,392)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Due from Other Government	(7,731)
Increase (Decrease) in Accounts Payable	<u>26,507</u>
Total Adjustments	<u>18,776</u>
Net Cash Used by Operating Activities	<u><u>\$ (303,616)</u></u>

See accompanying Notes to Basic Financial Statements.

**METRO WASTEWATER JOINT POWERS AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**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.

**METRO WASTEWATER JOINT POWERS AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2023.

*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, 2023.

*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.

**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.

**Accounts Receivable**

Management believes that all receivables are fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2023.

**METRO WASTEWATER JOINT POWERS AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**NOTE 2 CASH AND INVESTMENTS**

At June 30, 2023, the \$606,045 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 counterparty (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.

**METRO WASTEWATER JOINT POWERS AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 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.

Agency	For the Fiscal Year Ended June 30, 2022		For the Fiscal Year Ended June 30, 2023		
	Commission Flow Distribution		Commission Flow Distribution		Total Billings
	Percentage	Billings	Percentage	Billings	
Chula Vista	31.25	\$ 78,677	31.72	\$ 185,323	
Coronado	2.84	-	2.58	15,074	15,074
County of San Diego	16.20	33,862	16.46	96,167	130,029
Del Mar	0.05	220	0.05	292	512
El Cajon	15.07	35,180	14.56	85,066	120,246
Imperial Beach	3.66	8,334	3.71	21,675	30,009
La Mesa	8.37	20,636	8.18	47,791	68,427
Lemon Grove	3.38	4,154	3.36	19,631	23,785
National City	7.57	16,816	8.45	49,369	66,185
Otay Water District	0.88	2,886	0.60	3,505	6,391
Padre Dam	5.75	12,577	5.67	33,127	45,704
Poway	4.98	9,031	4.66	27,226	36,257
Total	100.00	\$ 222,373	100.00	\$ 584,245	\$ 806,618

**NOTE 4 RELATED PARTY TRANSACTIONS**

Under the terms of the Authority's Amended and Restated Regional Wastewater Disposal Agreement, certain administrative expenses incurred by member agencies are reimbursed by the Authority. Reimbursements paid by the Authority during the two-year period ended June 30, 2023, totaled approximately \$95,057. Also, under the terms of the Amended and Restated Regional Wastewater Disposal Agreement, the City of San Diego reimburses the Agency for a portion of these administrative expenses. During the two-year period ended June 30, 2023, reimbursement submitted to the City of San Diego totaled \$41,954, of which \$15,427 have not been collected and are recorded as due from other government on the accompanying statement of net position.

**NOTE 5 CONTINGENCIES**

**Litigation**

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.



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