

December 23, 2015

Honorable Board of Directors  
Triunfo Sanitation District  
Ventura County, California

Members of the Board of Directors:

The Comprehensive Annual Financial Report of the Triunfo Sanitation District (District) for the fiscal years ended June 30, 2015 and 2014; is hereby submitted. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Moss, Levy, Hartzheim, LLP, has issued an unmodified (“clean”) opinion on the District’s financial statements for the fiscal year ended June 30, 2015 and Macias Gini & O’Connell, LLP for fiscal year ended June 30, 2014. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### **PROFILE OF TRIUNFO**

A public agency, the Triunfo Sanitation District was organized November 12, 1963, as a special district under the County Sanitation District Act, California Health & Safety Code Section 4700 et seq., to provide sanitation services. The District covers approximately 50 square miles of the southeastern portion of Ventura County adjacent to the Los Angeles County line, and serves a population of approximately 33,000. The District receives no tax revenue and relies on fees and charges for services provided.

On October 12, 1964, the District and Las Virgenes Municipal Water District (LVMWD) entered into a joint powers agreement establishing a Joint Venture to construct, operate, maintain, and provide for a regional sewerage system to serve the area within the two districts' boundaries. The ancillary production and sale of recycled water as a byproduct of the wastewater treatment process has been welcomed by consumers and Districts.

The District expanded its service to the community in 1993 with the purchase of the Metropolitan Water Company located within the District's boundaries in Oak Park. The new venture became known as the Oak Park Water Service (OPWS).

The District's five-member Board of Directors (Board) is comprised of five residents of the District elected at-large by the registered voters of the District.

The District's Board of Directors meets on the fourth Monday of each month. Meetings are publicly noticed, and citizens are encouraged to attend and participate.

District staff is provided entirely by contract with the Ventura Regional Sanitation District (VRSD). In fiscal year 2015, this support consists of nearly fifteen (15.13) full-time equivalent positions made up of the part-time efforts of more than eighty-three (83.02) individuals in twenty-five (25) different areas of expertise.

**Administration** - The five directly elected Board members at-large are employees of the District. In addition, the District contracts with VRSD for all of its management, financial, engineering, maintenance, and operations functions. This arrangement, accomplished through a long-term reimbursable contract, allows the District to draw from a pool of sophisticated and technologically capable employees when needed and pay for only the services actually received. On June 4, 2015, a new ten-year contract agreement was entered into between TSD and VRSD.

**Joint Venture** - The bulk of the District's sanitation and recycled water activities occur in concert with those of its Joint Venture partner, LVMWD, located in western Los Angeles County. Joint Venture facilities include the Tapia Water Reclamation Facility (Tapia), Rancho Las Virgenes Composting Facility (Rancho), a pumping station and force main that conveys biosolids from Tapia to Rancho, and the portion of the recycled water distribution system which lies within Los Angeles County. A five-year capital improvement plan is in place, and updated at least annually, to maintain these facilities and protect the District's investment in them. Capital improvements are primarily funded through sewer connection fees of \$12,200 per Equivalent Residential Unit (ERU).

The District presently owns 33.5% of the Joint Venture wastewater treatment facilities, 46.8% of the land, and 60.6% of the trunk sewers. The District's right to use the facilities is commensurate with its ownership share (33.5%), while recycled water rights are based on actual sewage flows into Tapia. In addition, the District owns 29.4% of the Joint Venture recycled water distribution system.

### ***Tapia Water Reclamation Facility***

The Tapia Water Reclamation Facility applies state-of-the-art technology to transform wastewater into high-quality recycled water. It serves residents living across 120 square miles of southeastern Ventura and western Los Angeles Counties. While the current flow to Tapia averages 7.8 million gallons of wastewater per day (mgd), the District flow averages about 2.4 mgd, representing 38.5% of the total. Tapia is potentially capable of treating up to 16 mgd.

The wastewater treatment process at Tapia duplicates and accelerates natural biological methods of cleaning wastewater. Filtration and disinfection, the third phase in Tapia's tertiary treatment process, ensures the treated water meets stringent water reuse standards, and is environmentally safe for wildlife and vegetation. The beneficial reuse of this high-quality water has been an important Joint Venture focus since 1972, long before it became a common practice.

Tapia has been honored with numerous awards, including:

- American Water Resources Association (AWRA) Sandor C. Csallany Institutional Award for Exemplary Contributions to Water Resources Management (2004)
- Association of California Water Agencies Environmental Achievement Award (1990 and 1995)
- California Water Pollution Control Association Plant of the Year (1989)
- U.S. Environmental Protection Agency national & regional Award of Excellence (1988)
- Los Angeles Area Plant of the Year (6 times)
- National Environmental Awards Council Outstanding Operation, Maintenance and Total Reuse
- Water Reuse Association Certificate for Contributions to Water Reuse in California

A major challenge for the Tapia plant occurred late in fiscal year 1998 in the form of revised National Pollution Discharge Elimination System (NPDES) permit requirements. Despite significant ongoing efforts, the onerous standards of the revised permit have not been significantly reduced. Discharge of recycled water into Malibu Creek is now prohibited from April 15 through November 15 each year. With extensive water recycling, approximately 300 million gallons (900 acre-feet) of water must either be diverted from the creek to approved recycled water uses, or stored for later use. An alternative is to discharge during this period to the Los Angeles River Watershed, known as "005 discharge."

**Triunfo Sanitation** - The Bell Canyon portion of the District was served for many years by a pump station and force main transporting wastewater up over a hill to Tapia. With the pump station reaching the end of its life and increasing demands expected on Tapia's capacity, a gravity trunk sewer was constructed in 1985. This allowed the transport of Bell Canyon's wastewater to the Tillman Water Reclamation Plant operated by the City of Los Angeles within Los Angeles County.

Bond debt was issued for the sewer line construction by Bell Canyon Sewer Assessment District No. 85-1, formed for this purpose. Principal and interest payments were subsequently funded through property owner assessments, which were then paid in full two years earlier than originally scheduled.

In fiscal year 2015, the District paid \$73,021 in capacity and treatment costs to the City and County of Los Angeles. In addition, the District paid \$43,296 toward the Tillman plant expansion. Future capital improvements for this facility are primarily funded through sewer connection fees of \$2,650 per ERU in the assessment area.

Bell Canyon homeowners not included in the assessment district began approaching District contract staff in September 1997 with requests to extend the Bell Canyon force main to serve their properties. Working together, the homeowners and Triunfo staff determined a grinder pump could be used to transport sewage solids to an extended main trunk line, and an agreement was reached relative to costs. Triunfo agreed to finance these costs over a five-year period, and the extension was in use by the end of May 1998. All of these original loans have been fully repaid. Triunfo extended itself to serve these property owners, creating a true public/private partnership. Further, the District Board developed a policy to cover future connections to the force main extension, and equalize costs for all participating homeowners over time. As a result, sewer service has been extended to over 100

additional lots in Bell Canyon, and more are expected as increasing numbers of Bell Canyon homeowners see the advantage of sewer service over aging septic systems.

**Triunfo Recycled Water** - The District provides recycled water treated at Tapia via the Joint Venture through two pipelines to the communities of Oak Park, Lake Sherwood and North Ranch. District recycled water sales were \$1,994,508 and \$2,580,139 in fiscal year 2015 and fiscal year 2014, respectively. The recycled water from Tapia travels through 5.4 miles of District retail recycled water lines to irrigate 7 parks, 6 schools, 1 golf course, 15 acres of landscaping and medians, and 16 homeowners associations. In hot summer months, local irrigation consumes all of the recycled water Tapia produces.

The Lake Sherwood Golf Course, a major recycled water customer, was built in 1989 expecting to use 100% recycled water for irrigation. Sherwood experienced difficulty maintaining turf quality and, in 1996, convinced the Ventura County Planning Department to approve the use of as much as 40% potable water for golf course irrigation. The District appealed based on a California law that requires recycled water be used for irrigation wherever available.

A study of Sherwood's recycled water use was conducted, with the cost split equally by Lake Sherwood Ranch, the Calleguas Municipal Water District, and Triunfo. The study concluded the golf course requires deep drainage to remove salts from irrigation, regardless of whether recycled or potable water is used. Sherwood felt the deep drainage was both excessively disruptive and expensive, and proposed a field test, which was inconclusive. In June 2000, Triunfo proposed a compromise wherein Sherwood agreed to use 250 acre feet of recycled water per year, about 60% of its typical irrigation water requirement.

**Triunfo Potable Water** - Through OPWS, the District provides potable water service to households in the community of Oak Park. The Oak Park community is mostly residential and is located at the eastern edge of the county. The 2010 United States Census Bureau data indicates Oak Park has a population of approximately 13,811 with a median household income of \$128,600.

OPWS potable water deliveries in fiscal year 2015 were 2,213 acre-feet compared to 2,560 acre-feet in fiscal year 2014. These deliveries provided income of \$4,622,483 and \$5,282,011 respectively. The District has a \$30 premise visit charge when a Delinquent Notice door hanger is required due to a customer's failure to pay their bill on time. Imposition of the charge provides an incentive to encourage more timely payments and to help cover the cost of providing this extra service.

OPWS water tank sites have proven useful to cellular communications companies. Eight leases were in place by the end of the fiscal year. Consolidation of cellular service companies provided income of \$120,147 for fiscal year 2015 and \$153,863 for fiscal year 2014.

## **Triunfo's Economic Condition**

### ***Local Economy***

**Ventura County** – Located directly northwest of Los Angeles County, Ventura County covers 1,843 square miles and boasts 43 miles of Pacific Ocean coastline, 7.5 miles of shoreline in public beaches, and 411 acres in state beach parks. The majority of the County's 846,178 residents live in its southern half, while the Los Padres National Forest spans the northern half. An extensive network of roadways links the County's 10 incorporated cities, with rail, harbor, and airport facilities providing access to outside markets. With a projected 2020 population of over one million, Ventura County is expected to experience a steady increase in population over the next 7 years as people favor its mild Mediterranean climate, beautiful coastline, and scenic agricultural setting.

**Agriculture** - Ventura County farmers grow over 100 different crops and often harvest two or three crops from the same parcel of land during any given year. In 2014, the estimated gross value for all agriculture in Ventura County was \$2.137 billion. Strawberries, lemons, raspberries, nursery stock, and celery are among the five leading crops grown. The most recent data available from the U.S. Department of Agriculture ranks Ventura County 10<sup>th</sup> among all counties in the U.S. in total crop value.

**Commercial Activity** – Retail sales throughout Ventura County increased by 5.2% in 2015 compared to 2014. Taxable sales in 2014 were 13.5 billion, an increase from 2009 of 12.5 billion.

**Income and Unemployment** – The unemployment rate in Ventura County decreased from 6.4 percent in September 2014 to 5.3 percent in September 2015 according to the State of California Employment Development Department. Ventura County continues to see job declines in Manufacturing while Leisure and Hospitality, Professional and Business Services, and Agriculture have gained jobs. According to the U. S. Census Bureau, the median household income in Ventura County is \$76,544 and per capita income is \$32,930.

**Real Estate** – Ventura County’s real estate market year to year change in sales is 11.6 percent. The median single-family-home price in Ventura County is \$604,610, a 3.6 percent increase compared to last year. Because of limited home construction, home price growth will remain steady slowly growing to 6.1 percent in 2017.

### ***Long-term Financial Planning***

KEH & Associates continues the development of a hydraulic model for the Oak Park Water System to assist the District in future Capital Improvement Program planning, and improve the operation and reliability of the existing system. Following the hydraulic model completions, a potable water rate study will follow.

The District Board approved a contract with Aqua Metric Sales Company for the purchase and installation of an automated meter reading (AMR) system. The potable and recycled water meters are at the end of their useful lives. These new meters will improve metering accuracy and allow remote meter reading capability. This project was finalized on December 2015. Customers are able to peruse their water consumption through the Sensus website.

On June 4, 2015, the District entered into a ten year contract agreement with Ventura Regional Sanitation District for wastewater and potable water facilities operation, maintenance, management and other closely related services.

The District Board increased the potable water rates based on the increased rates from Calleguas Municipal Water District. The pass through rates will be effective February 1, 2016.

The District Board adopted a new rate ordinance that increased the rate of reclaimed water in order to pass through the Calleguas Municipal Water District wholesale reclaimed water rate increase. The pass through rates will be effective February 1, 2016.

### ***Relevant Financial Policies***

Because District staff is provided entirely by contract with the Ventura Regional Sanitation District, the Board appointed one of the Board members to perform a monthly review of all invoices paid on their behalf. In addition, the Board also appointed two of the elected Board members to be on the

Finance Committee to perform review and oversight in regards to financial matters such as the annual audit, proposed budget, and any other financial issues that require review, analysis, and recommendation before going to the full Board.

The District's investment policy's primary objectives are safety of principal while maintaining liquidity to meet all operating requirements, and attaining a market rate of return on its portfolio. The District's investment policy is in accordance with provisions of the California Government Code. Currently, the District's investment funds are placed in either the Ventura County Pooled investment account or the Local Agency Investment Fund (LAIF) account managed by the State Treasurer as directed by the Board in fiscal year 2007.

The Board approved a Five-Year Capital Improvement Plan recommended by staff and KEH & Associates which includes evaluation of the current water and wastewater systems, prioritization for acquisition, maintenance, replacement and retirement of capital assets, and recommendation on improving the operation and reliability of the existing systems.

### ***Major Initiatives***

The District developed a water conservation ordinance and water shortage contingency plan in response to the statewide water supply conditions. The District's source for potable water is through the Metropolitan Water District. Metropolitan Water District has instituted potable water allocation requirements for all its customers in response to the water supply shortages being experienced throughout California.

In May 2015, the Board declared a Stage 2 water supply shortage following Governor Brown's directives and the State Water Resources Control Board's adopted Emergency Regulations. Based on the District's service area residential per capita water usage, the State Water Resources Board mandated the District to reduce water use by 32% as compared to base year 2013 water use data. Stage 2 is defined by landscape watering restrictions, response to leaks obligations, and water allocations.

### ***Awards & Acknowledgements***

**Excellence in Financial Reporting** - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Triunfo Sanitation District for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements** – The preparation of this report was possible because of the dedicated services of the contract Finance & Administration Department staff, each of whom has our sincere appreciation. We also express our appreciation to our independent auditors, Moss, Levy, Hartzheim, LLP, for their contribution and assistance in preparing this report. Finally, we thank the District Board of Directors for their interest and support in planning and conducting the financial operations of the District in a responsive and effective manner.

MARK NORRIS  
District Manager

VICKIE DRAGAN  
Director of Finance & Administration



# **Triunfo Sanitation District**

**Ventura County, California**

## **2015 Board of Directors**

James Wall	Chair
Mike Paule	Vice-Chair
Michael McReynolds	Member
Janna Orkney	Member
Steven Iceland	Member

## **District Staff**

Mark Norris	District Manager	(805) 658-4621
Vickie Dragan	Finance & Administration	(805) 658-4646
Frank Kiesler	Operations	(805) 658-4675
Lisa McKinley	Acting Clerk of the Board	(805) 658-4642
John Mathews	Legal Counsel	(805) 988-9886





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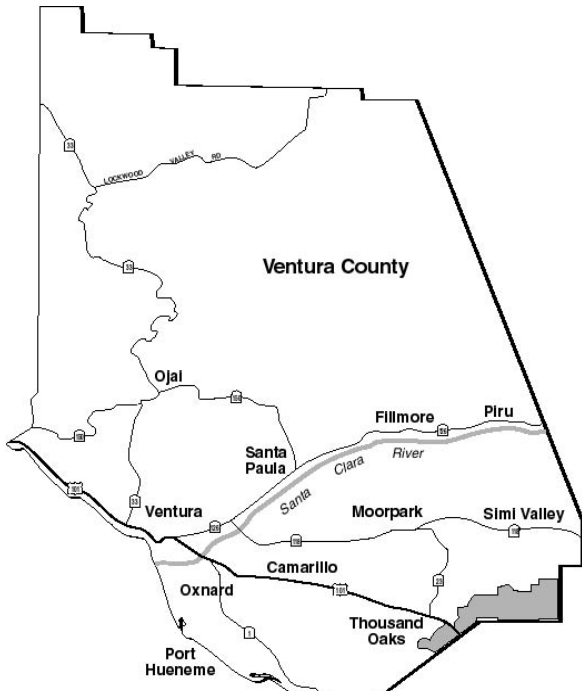
**Triunfo Sanitation District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**VENTURA COUNTY**



**CALIFORNIA**



**TRIUNFO SANITATION DISTRICT**

