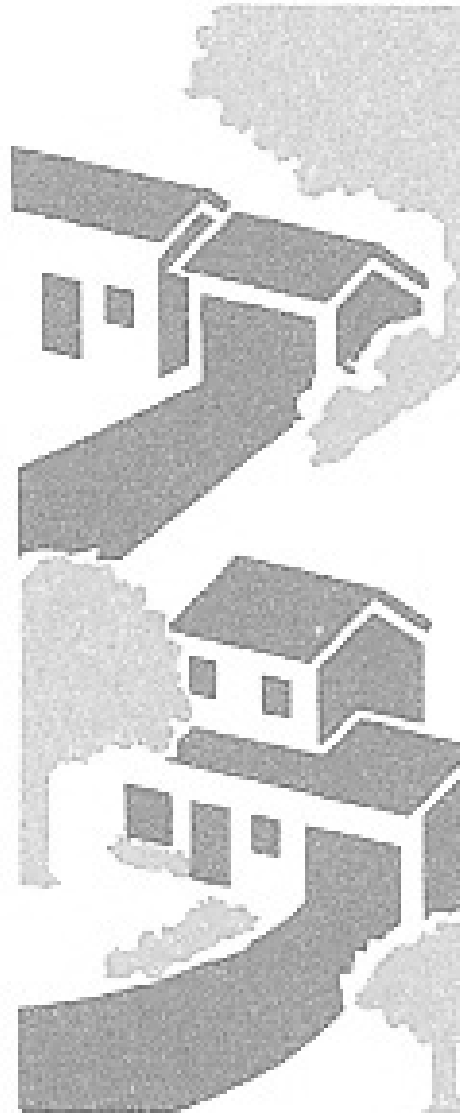


# Financial Section



## Triunfo Sanitation District

Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2019 and June 30, 2018





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

**COMMERCIAL ACCOUNTING & TAX SERVICES**

433 N. CAMDEN DR. SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**GOVERNMENTAL AUDIT SERVICES**

5800 HANNUM AVE., SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Triunfo Sanitation District  
Ventura, California

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Triunfo Sanitation District (District) as of and for the fiscal year ended June 30, 2019 and June 30, 2018, and the related notes to the 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Triunfo Sanitation District as of June 30, 2019 and June 30, 2018, and the respective changes in financial position and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Triunfo Sanitation District's basic financial statements. The introductory section, combining schedule of net position, combining schedule of revenues, expenses, and changes in net position, combining schedule of cash flows, budgetary comparison schedule, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining schedule of net position, combining schedule of revenues, expenses, and changes in net position, combining schedule of cash flows, and budgetary comparison schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of net position, combining schedule of revenues, expenses, and changes in net position, combining schedule of cash flows, and budgetary comparison schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the Triunfo Sanitation District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP  
Culver City, California  
December 2, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Triunfo Sanitation District's (District) Comprehensive Annual Financial Report (CAFR) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2019 and 2018. This discussion and analysis should be read in conjunction with the transmittal letter beginning at page 1 and the District's basic financial statements following this section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$66.2 million (*net position*), an increase of \$1.5 million from the \$64.7 million ending balance in fiscal year 2018. Of the \$46.4 (*unrestricted net position*) in fiscal year 2019, \$15.1 million may be used to meet the District's ongoing obligations to citizens and creditors, in comparison to \$13.9 million in the prior year.
- The District's \$1.5 million net position increase in fiscal year 2019 represents 2.3%, a decline from the \$2.0 million or 3.2% increase in fiscal year 2018.
- In fiscal year 2019, the District's total revenues increased by 3.5% to \$20.3 million while total expenses increased by 6.9% to \$18.8 million as compared to fiscal year 2018 in which revenues increased by 16.8% to \$19.6 million and total expenses increased by 5% to \$17.6 million.

### Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include two components: 1) enterprise fund financial statements; and 2) notes to the financial statements. In addition, required supplementary information, supplementary information, and statistical information are also included in the CAFR.

**Basic Financial Statements** The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The basic financial statements can be found on pages 25-27 of this report.

The *Statements of Net Position* present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *Statements of Cash Flows* present relevant information about the cash receipts and cash payments for the period categorized according to whether they stem from operating, non-capital financing, capital and related financing, and investing activities. It helps users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for financing. It also helps assess the effects on the District's financial position of changes in its cash and non-cash investing, capital, and financing transactions during the period.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are an integral part of the financial statements. The notes to the financial statements can be found on pages 28-49 of this report.

**Financial Analysis of the District**

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer questions as to whether the District, as a whole, is better or worse off as a result of the year's activities. These two statements report the net position of the District and changes in them. You can think of the District's net position as the difference between assets (what is owned) and liabilities (what is owed) and one way to measure its financial health or position.

**Condensed Statements of Net Position**

To begin our analysis, a Condensed Statement of Net Position is presented in the following table for our analysis.

**Condensed Statements of Net Position**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 16,707,711	\$ 15,870,458	\$ 837,253	5.3%
Restricted current assets	1,276,040	1,349,030	(72,990)	-5.4%
LVMWD/TSD-joint venture	31,306,909	30,611,211	695,698	2.3%
Capital assets, net	<u>37,264,240</u>	<u>38,796,500</u>	<u>(1,532,260)</u>	-3.9%
<b>Total assets</b>	<u>86,554,900</u>	<u>86,627,199</u>	<u>(72,299)</u>	-0.1%
Liabilities:				
Liabilities payable from unrestricted current assets	2,782,262	3,094,693	(312,431)	-10.1%
Liabilities payable from restricted current assets	674,040	704,638	(30,598)	-4.3%
Non-current liabilities	<u>16,905,313</u>	<u>18,106,893</u>	<u>(1,201,580)</u>	-6.6%
<b>Total liabilities</b>	<u>20,361,615</u>	<u>21,906,224</u>	<u>(1,544,609)</u>	-7.1%
Net Position:				
Net investment in capital assets	19,157,347	19,528,285	(370,938)	-1.9%
Restricted:				
Conifer loan reserve requirement	602,000	602,000	-	0.0%
Escrow funds	-	42,392	(42,392)	-100.0%
Unrestricted	<u>46,433,938</u>	<u>44,548,298</u>	<u>1,885,640</u>	4.2%
<b>Total net position</b>	<u>\$ 66,193,285</u>	<u>\$ 64,720,975</u>	<u>\$ 1,472,310</u>	2.3%
<b>Total liabilities and net position</b>	<u>\$ 86,554,900</u>	<u>\$ 86,627,199</u>	<u>\$ (72,299)</u>	-0.1%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total assets experienced a slight decrease (\$72,300). While capital assets saw a \$1.5 million reduction, it was offset by increases in current assets and the LVMWD/TSD-joint venture. Total liabilities experienced a reduction of \$1.5 million mainly due to the repayment long-term debt (\$1.2 million), resulting in an overall increase of \$1.5 million or 2.3% in net position in fiscal year 2019.

Net position includes three components: *Net investment in capital assets; restricted net position; and unrestricted net position.*

The investment in capital asset component of the District's net position is \$19.2 million and is reflected net of accumulated depreciation and related debt, which represents capital assets used by the District to provide services to its constituency. Although the District's investment in its capital assets is reported net of related debt and other payables, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another component of the District's net position is the restricted net position which represents resources that are subject to external restrictions of how they may be used. Loan agreements relating to long-term debt restrict certain amounts for debt service, as well as restricted funding received in advance of expenses. The restricted net position is not available for other uses by the District. At June 30, 2019 and 2018, the District's restricted net position was \$602,000 and \$644,392 respectively.

The largest and final component of the District's net position (\$46.4 million) reflects unrestricted net position that may be used to meet the District's ongoing obligations to creditors and constituencies. This figure includes \$31.3 million for the District's capital assets investment in a Joint Venture with the Las Virgenes Municipal Water District, which reflects 47.3% of total District net position, and 67.5% of the District's unrestricted assets. The Joint Venture's capital assets investment is equivalent to property, plant, and equipment within the Joint Venture offset by operating costs. Additional information regarding the District's investment in the Joint Venture can be located in Note B5 on pages 42-43.

In fiscal year 2018, the District's net investment in capital assets was \$19.5 million and the unrestricted net position totaled \$44.5 million. The District's unrestricted net position of \$44.5 million includes capital assets investment in Joint Venture with the Las Virgenes Municipal Water District of \$30.6 million which reflects 47.3% of total District net position, and 68.8% of the District's unrestricted assets. As seen in the table on page 18, total net position increased by \$2.0 million to \$64.7 million in fiscal year 2018.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**Condensed Statements of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 15,870,458	\$ 13,548,688	\$ 2,321,770	17.1%
Restricted current assets	1,349,030	1,376,806	(27,776)	-2.0%
LVMWD/TSD-joint venture	30,611,211	30,603,461	7,750	0.0%
Capital assets, net	<u>38,796,500</u>	<u>40,191,465</u>	<u>(1,394,965)</u>	-3.5%
<b>Total assets</b>	<u>86,627,199</u>	<u>85,720,420</u>	<u>906,779</u>	1.1%
Liabilities:				
Liabilities payable from unrestricted current assets	3,094,693	3,027,364	67,329	2.2%
Liabilities payable from restricted current assets	704,638	708,494	(3,856)	-0.5%
Non-current liabilities	<u>18,106,893</u>	<u>19,268,214</u>	<u>(1,161,321)</u>	-6.0%
<b>Total liabilities</b>	<u>21,906,224</u>	<u>23,004,072</u>	<u>(1,097,848)</u>	-4.8%
Net Position:				
Net investment in capital assets	19,528,285	19,800,725	(272,440)	-1.4%
Restricted:				
Conifer loan reserve requirement	602,000	602,000	-	0.0%
Escrow funds	42,392	66,312	(23,920)	-36.1%
Unrestricted	<u>44,548,298</u>	<u>42,247,311</u>	<u>2,300,987</u>	5.4%
<b>Total net position</b>	<u>\$ 64,720,975</u>	<u>\$ 62,716,348</u>	<u>\$ 2,004,627</u>	3.2%
<b>Total liabilities and net position</b>	<u>\$ 86,627,199</u>	<u>\$ 85,720,420</u>	<u>\$ 906,779</u>	1.1%

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

A condensed Statement of Revenues, Expenses, and Changes in Net Position is presented in the following table for our analysis. While the Statement of Net Position shows the change in financial position of the District's net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As previously mentioned, the increase in total net position was \$1,472,310 in fiscal year 2019.

Total revenues increased by \$685,292 (3.5%) compared to fiscal year 2018, comprising of \$131,601 in operating revenues and \$553,691 in non-operating revenues.

The \$131,601 net increase in operating revenues resulted from the following activities:

- Sanitation fees 9% rate increase combined with a 0.1% increase in equivalent residential units, resulted in a revenue increase of \$732,886 or 8.9%.
- Potable water revenue decreased \$359,225 or 5.8% while rates increased by an average of 5% as a result of quantity sold decreasing by 9.6%.
- Recycled water revenue decreased by \$398,474 or 15.5% while retail and wholesale rates increased by an average of 7.6% and 4.6%, respectively and the quantity sold decreased by 21.7%.
- A 3% rate increase in Water meter service fees resulted in \$76,218 or 3.7% increase in revenue.
- Other revenues from violations, penalties and late fees increased by \$80,196 or 37.3%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The \$553,691 increase in non-operating revenues comprised of:

- A \$381,337 increase in Other revenue from FEMA and insurance claims for Woolsey fire damages (\$372,975) and other property damages (\$10,868);
- A \$175,823 or 109.9% increase in Interest and Investment Earnings as a result of the combination of higher interest rates, high account balance; and
- A slight decrease of \$3,469 or 2% in Rental revenue from lease of cellular sites, which in fiscal year 2018, included some retroactive payments.

Total expenses increased by \$1,217,609 or 6.9% compared to fiscal year 2018. The increase was primarily attributable to an increase in operations, management and administrative costs of \$1,163,245 or 22.9%. The vast majority (71%) of the significant increase in operations, management and administrative costs can be attributed to allocation of resources to the following items:

Woolsey Fire – \$391,672  
Name Change Project – \$30,063  
Potable Water System Repairs - \$185,289 (\$67,774 in labor and \$117,515 in materials)  
Legal Fees - \$84,240  
Settlement Release - \$74,907  
Publicity, Events, Risk Management, clerking service - \$56,350

Other expense categories activity included increases in wastewater treatment (\$148,747 or 3.5%), and professional services (\$400,865 or 387.3%). These increases were offset by decreases in Potable water and recycled water purchased of \$133,981 or 4% and \$151,832 or 21.2% respectively, as well as in Investment in Joint Venture with LVMWD which decreased by \$133,454 or 7.7% and a \$39,321 or 5.7% decrease in interest expense.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Operating revenues:				
Sanitation fees	\$ 8,986,193	\$ 8,253,307	\$ 732,886	8.9%
Potable water sales	5,790,358	6,149,583	(359,225)	-5.8%
Recycled water sales	2,176,845	2,575,319	(398,474)	-15.5%
Water meter service fees	2,110,905	2,034,687	76,218	3.7%
Other	295,054	214,858	80,196	37.3%
Non-operating revenues:				
Rental revenue - cellular antennas	171,925	175,394	(3,469)	-2.0%
Interest and investment earnings	335,873	160,050	175,823	109.9%
Other	383,843	2,506	381,337	15217.0%
<b>Total revenues</b>	<u>20,250,996</u>	<u>19,565,704</u>	<u>685,292</u>	3.5%
Expenses:				
Operating expenses:				
Wastewater treatment	4,458,737	4,309,990	148,747	3.5%
Potable water purchased	3,232,450	3,366,431	(133,981)	-4.0%
Recycled water purchased	564,870	716,702	(151,832)	-21.2%
Professional services	504,359	103,494	400,865	387.3%
Operations, management and admin	6,234,896	5,071,651	1,163,245	22.9%
Depreciation and amortization	1,526,799	1,563,459	(36,660)	-2.3%
Change in investment LVMWD/TSD	1,610,974	1,744,428	(133,454)	-7.7%
Non-operating expenses:				
Interest expense	645,601	684,922	(39,321)	-5.7%
<b>Total expenses</b>	<u>18,778,686</u>	<u>17,561,077</u>	<u>1,217,609</u>	6.9%
<b>Change in net position</b>	1,472,310	2,004,627	(532,317)	-26.6%
<b>Net position, beginning of fiscal year</b>	<u>64,720,975</u>	<u>62,716,348</u>	<u>2,004,627</u>	3.2%
<b>Net position, end of fiscal year</b>	<u>\$ 66,193,285</u>	<u>\$ 64,720,975</u>	<u>\$ 1,472,310</u>	2.3%

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

In fiscal year 2018, total revenues increased by \$2,809,467 or 16.8% compared to fiscal year 2017. Recycled water sales increased by \$169,281, potable water sales by \$1,574,260, water meter service fees by \$355,636 and sanitation fees by \$596,168.

Total expenses increased by \$841,666 or 5.0%, compared to fiscal year 2017. The increase was attributable to an increase in wastewater treatment expenses, potable water purchase, management and administrative services, depreciation and interest expense.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Operating revenues:				
Sanitation fees	\$ 8,253,307	\$ 7,657,139	\$ 596,168	7.8%
Potable water sales	6,149,583	4,575,323	1,574,260	34.4%
Recycled water sales	2,575,319	2,406,038	169,281	7.0%
Water meter service fees	2,034,687	1,679,051	355,636	21.2%
Other	214,858	269,137	(54,279)	-20.2%
Non-operating revenues:				
Rental revenue - cellular antennas	175,394	111,672	63,722	57.1%
Interest and investment earnings	160,050	50,628	109,422	216.1%
Other	2,506	7,249	(4,743)	-65.4%
<b>Total revenues</b>	<u>19,565,704</u>	<u>16,756,237</u>	<u>2,809,467</u>	16.8%
Expenses:				
Operating expenses:				
Wastewater treatment	4,309,990	4,058,695	251,295	6.2%
Potable water purchased	3,366,431	2,961,082	405,349	13.7%
Recycled water purchased	716,702	1,629,682	(912,980)	-56.0%
Professional services	103,494	230,423	(126,929)	-55.1%
Operations, management and admin	5,071,651	4,249,750	821,901	19.3%
Depreciation and amortization	1,563,459	1,271,388	292,071	23.0%
Change in investment LVMWD/TSD	1,744,428	1,874,056	(129,628)	-6.9%
Non-operating expenses:				
Interest expense	684,922	444,335	240,587	54.1%
<b>Total expenses</b>	<u>17,561,077</u>	<u>16,719,411</u>	<u>841,666</u>	5.0%
<b>Change in net position</b>	2,004,627	36,826	1,967,801	5343.5%
<b>Net position, beginning of fiscal year</b>	62,716,348	62,679,522	36,826	0.1%
<b>Net position, end of fiscal year</b>	<u>\$ 64,720,975</u>	<u>\$ 62,716,348</u>	<u>\$ 2,004,627</u>	3.2%

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**Capital Asset and Debt Administration**

***Capital Assets***

The District's investment in capital assets as of June 30, 2019, (at cost) amounted to \$62.1 million or \$37.3 million (net of accumulated depreciation). The District's capital assets include land and land improvements, structures and improvements, construction in progress, equipment, and infrastructure.

Changes in capital asset amounts for 2019 were:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Capital Assets:				
Non-depreciable assets	\$ 704,113	\$ 198,717	\$ (532,698)	\$ 370,132
Depreciable assets	61,409,018	-	328,520	61,737,538
Accumulated depreciation and amortization	<u>(23,316,631)</u>	<u>(1,526,799)</u>	<u>-</u>	<u>(24,843,430)</u>
Total capital assets, net	<u>\$ 38,796,500</u>	<u>\$ (1,328,082)</u>	<u>\$ (204,178)</u>	<u>\$ 37,264,240</u>

Changes in capital asset amounts for 2018 were:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Capital Assets:				
Non-depreciable assets	\$ 890,164	\$ 168,494	\$ (354,545)	\$ 704,113
Depreciable assets	61,054,473	354,545	-	61,409,018
Accumulated depreciation and amortization	<u>(21,753,172)</u>	<u>(1,563,459)</u>	<u>-</u>	<u>(23,316,631)</u>
Total capital assets, net	<u>\$ 40,191,465</u>	<u>\$ (1,040,420)</u>	<u>\$ (354,545)</u>	<u>\$ 38,796,500</u>

Major capital asset activity during the fiscal year 2019 included the following:

- North Shore Gravity System – Wastewater - \$239,305
- Lakeside Lift Station Improvement - \$45,685
- Polo Lift Station - \$13,771
- Accumulated depreciation - \$1,526,799
- Expensing of various construction in progress projects that did not materialize

Major capital asset activity during the fiscal year 2018 included the following:

- Northshore Gravity System - Wastewater - \$104,168
- Various capital projects - \$84,322
- Accumulated depreciation - \$1,563,459

Additional information on the District's capital assets can be found in Note B4 pages 40-41 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

***Debt Administration***

The District's long-term debt outstanding as of June 30, 2019, was \$17,745,799.

<u>Description</u>	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at June 30, 2019</u>
Debt from Direct Borrowings:				
2014 AMR Loan	\$ 1,973,594	\$ -	\$ (151,996)	\$ 1,821,598
2011 Construction Loan	5,810,811	-	(333,628)	5,477,183
2017 RW System Purchase Loan	<u>11,095,462</u>	<u>-</u>	<u>(648,444)</u>	<u>10,447,018</u>
Total long-term debt	18,879,867	<u>\$ -</u>	<u>\$ (1,134,068)</u>	17,745,799
Less current portion	<u>(1,134,068)</u>			<u>(1,174,326)</u>
Total long-term portion	<u>\$ 17,745,799</u>			<u>\$ 16,571,473</u>

Additional information on the District's long-term liabilities can be found in Note B6 on pages 44-46 of this report.

The District's long-term debt outstanding as of June 30, 2018, was \$18,879,867.

<u>Description</u>	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at June 30, 2018</u>
Debt from Direct Borrowings:				
2014 AMR Loan	\$ 2,120,783	\$ -	\$ (147,189)	\$ 1,973,594
2011 Construction Loan	6,129,356	-	(318,545)	5,810,811
2017 RW System Purchase Loan	<u>11,725,000</u>	<u>-</u>	<u>(629,538)</u>	<u>11,095,462</u>
Total long-term debt	19,975,139	<u>\$ -</u>	<u>\$ (1,095,272)</u>	18,879,867
Less current portion	<u>(1,095,272)</u>			<u>(1,134,068)</u>
Total long-term portion	<u>\$ 18,879,867</u>			<u>\$ 17,745,799</u>

**Economic Factors and Next Fiscal Year's Budget and Rates**

- The District Board considered the factors mentioned above when setting the fiscal year 2020 budget, rates, and fees. The District's fiscal year 2019-20 Adopted Budget (expenses not including the change in investment-in-joint venture LVMWD/TSD) totaled \$17,671,116, representing a 0.43% increase when compared to the prior year.
- Based on the wastewater rate study and the five-year programmed rate, this is the fourth year of the Board approved 6.5% annual rate increase which started in fiscal year 2016 ending in fiscal year 2020. In May 2018, the District Board approved an additional 2.5% rate increase for a total of 9% for fiscal years 2019 and 2020.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- Based on the recycled water rate study, the District Board approved a five-year rate plan of 15% annually for fiscal years 2017 and 2018, and 3% annually for fiscal years 2019 and 2020, with no rate increase in fiscal year 2021.
- As recommended by the potable water rate study, the District Board approved a five-year rate plan of 13% annually for fiscal years 2017 and 2018, and 3% annually for fiscal years 2019 and 2020, with no rate increase for fiscal year 2021.
- In April 2017, Governor Brown ended the Drought State of Emergency in most of California, which includes Ventura County. In May 2018, legislation establishing statewide water efficiency goals was signed by the Governor to prepare for future droughts. Permanent water restrictions are being implemented by the District to support water conservation efforts.
- Calleguas Municipal Water District (CMWD) wholesale supply rate will increase effective January 1, 2020. The CMWD rate increase is a pass through increase to the water customers of the District.
- District staff is provided entirely by contract with Mark Norris and the Ventura Regional Sanitation District (VRSD). The VRSD support consists of approximately eighteen (17.72) full-time equivalent positions made up of the part-time efforts of approximately forty-seven (47) people in ten (10) different areas of expertise. While the VRSD hourly billing rates increased on average by 9% effective July 1, 2019, this increase is expected to be offset by a reduction in the total overhead costs covered by water/wastewater operations, as well as, the total annual hours billed for fully dedicated staff of the District.

The District Board held workshops to assess the available working capital, the operating, and capital needs of the District. Additional information is provided in the transmittal letter on Page 1 of this report and Note C of the Notes to the Financial Statements.

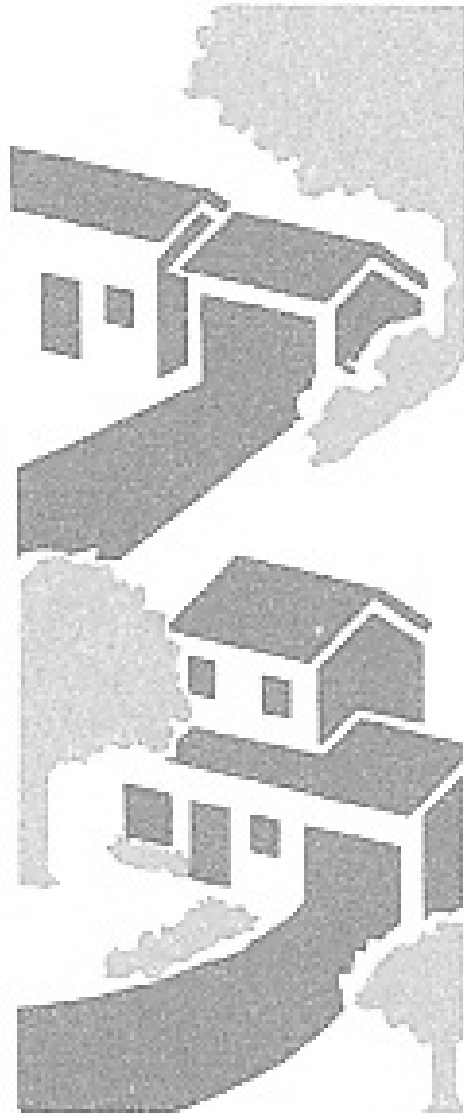
### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in them. Questions concerning any of the information provided should be addressed to the Director of Finance, Triunfo Sanitation District, 1001 Partridge Drive, Suite 150, Ventura, California, 93003-0704. Please visit the District's website at [www.triunfowsd.com](http://www.triunfowsd.com)

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# Basic Financial Statements

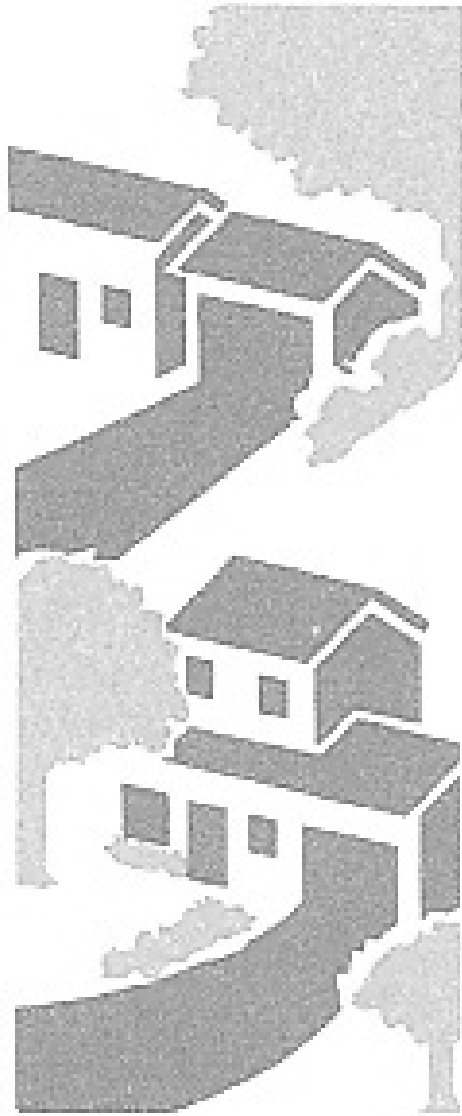


## Triunfo Sanitation District

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2019 and June 30, 2018



# Basic Financial Statements

**TRIUNFO SANITATION DISTRICT  
STATEMENTS OF NET POSITION  
JUNE 30, 2019 AND JUNE 30, 2018**

<b>ASSETS</b>		<u>2019</u>	<u>2018</u>
Current assets:			
Cash and cash equivalents	(Note B1)	\$ 11,371,097	\$ 11,968,768
Accrued interest receivable		83,579	69,983
Accounts receivable – water sales and services, net	(Note B3)	827,525	988,422
Accounts receivable – sanitation fees	(Note B3)	270,672	244,204
Accounts receivable – other	(Note B3)	375,910	66,032
Advance deposits – investment-in-joint venture LVMWD/TSD	(Note B5)	3,688,798	2,455,173
Water-in-storage inventory		18,806	22,038
Prepaid and other		71,324	55,838
Total current assets – unrestricted		<u>16,707,711</u>	<u>15,870,458</u>
Restricted current assets:			
Cash and cash equivalents	(Note B2)	1,276,040	1,349,030
Total current assets – restricted		<u>1,276,040</u>	<u>1,349,030</u>
Total current assets – unrestricted and restricted		<u>17,983,751</u>	<u>17,219,488</u>
Non-current assets			
Capital assets, net	(Note B4)	37,264,240	38,796,500
Investment-in-joint venture LVMWD/TSD	(Note B5)	31,306,909	30,611,211
Total non-current assets		<u>68,571,149</u>	<u>69,407,711</u>
<b>Total assets</b>		<u>86,554,900</u>	<u>86,627,199</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payable from current assets:			
Accounts payable and accrued expenses		1,351,669	1,690,195
Accrued interest payable – loan		229,013	243,176
Loans payable – current portion	(Note B6)	1,174,326	1,134,068
Developer refund agreements – current portion	(Note B6)	27,254	27,254
Payable from current assets – unrestricted		<u>2,782,262</u>	<u>3,094,693</u>
Payable from restricted current assets:			
Customer deposits		70,840	47,690
Unearned revenue	(Note A4)	603,200	656,948
Payable from restricted current assets		<u>674,040</u>	<u>704,638</u>
Total current liabilities – unrestricted and restricted		<u>3,456,302</u>	<u>3,799,331</u>
Non-current liabilities:			
Loans payable	(Note B6)	16,571,473	17,745,799
Developer refund agreements	(Note B6)	333,840	361,094
Total non-current liabilities		<u>16,905,313</u>	<u>18,106,893</u>
<b>Total liabilities</b>		<u>20,361,615</u>	<u>21,906,224</u>
<b>NET POSITION</b>			
Net investment in capital assets	(Note B7)	19,157,347	19,528,285
Restricted:			
Conifer loan reserve requirement	(Note B7)	602,000	602,000
Escrow funds	(Note B7)	-	42,392
Unrestricted		46,433,938	44,548,298
<b>Total net position</b>		<u>\$ 66,193,285</u>	<u>\$ 64,720,975</u>

See accompanying notes to the financial statements.

**TRIUNFO SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Sanitation fees	\$ 8,986,193	\$ 8,253,307
Potable water sales	5,790,358	6,149,583
Recycled water sales	2,176,845	2,575,319
Water meter service fees	2,110,905	2,034,687
Connection fees	118,833	91,279
Other charges for services	176,221	123,579
Total operating revenues	<u>19,359,355</u>	<u>19,227,754</u>
Operating expenses:		
Wastewater treatment	4,458,737	4,309,990
Potable water purchased	3,232,450	3,366,431
Recycled water purchased	564,870	716,702
Professional services	504,359	103,494
Operations, management and admin	6,234,896	5,071,651
Total operating expenses	<u>14,995,312</u>	<u>13,568,268</u>
Operating income before depreciation	4,364,043	5,659,486
Depreciation and amortization	<u>(1,526,799)</u>	<u>(1,563,459)</u>
Operating income	<u>2,837,244</u>	<u>4,096,027</u>
Non-operating revenue(expense)		
Change in investment-in-joint venture LVMWD/TSD (Note B5)	(1,610,974)	(1,744,428)
Rental revenue - cellular antennas	171,925	175,394
Interest and investment earnings	335,873	160,050
Interest expense	(645,601)	(684,922)
Other income(expenses), net	383,843	2,506
Total non-operating revenue(expenses), net	<u>(1,364,934)</u>	<u>(2,091,400)</u>
Change in net position	1,472,310	2,004,627
Net position, beginning of fiscal year	<u>64,720,975</u>	<u>62,716,348</u>
Net position, end of fiscal year	<u>\$ 66,193,285</u>	<u>\$ 64,720,975</u>

See accompanying notes to the financial statements.

**TRIUNFO SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers for water sales and services	\$ 10,327,241	\$ 10,787,104
Receipts from customers for sanitation services	8,959,725	8,287,575
Receipts for other services	250,186	67,131
Payments to vendors for materials and services	(15,346,092)	(13,484,677)
Advance deposits – investment-in-joint venture LVMWD/TSD facility	(3,540,297)	(882,676)
Net cash provided by operating activities	<u>650,763</u>	<u>4,774,457</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(198,717)	(168,494)
Proceeds from disposition of capital assets	204,176	-
Principal and interest paid on long-term debt	(1,821,085)	(1,821,085)
Net cash used in capital and related financing activities	<u>(1,815,626)</u>	<u>(1,989,579)</u>
Cash flows from investing activities:		
Proceeds from rental revenue - cellular antennas	171,925	175,394
Proceeds from interest and investment earnings	322,277	115,624
Net cash provided by investing activities	<u>494,202</u>	<u>291,018</u>
Net increase in cash and cash equivalents	(670,661)	3,075,896
Cash and cash equivalents (unrestricted and restricted), beginning of fiscal year	<u>13,317,798</u>	<u>10,241,902</u>
Cash and cash equivalents (unrestricted and restricted), end of fiscal year	<u>\$ 12,647,137</u>	<u>\$ 13,317,798</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 11,371,097	\$ 11,968,768
Restricted cash and cash equivalents	<u>1,276,040</u>	<u>1,349,030</u>
Total cash and cash equivalents	<u>\$ 12,647,137</u>	<u>\$ 13,317,798</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,837,244	\$ 4,096,027
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,526,799	1,563,459
Other non-operating income, net	383,843	2,506
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	160,897	(59,908)
Accounts receivable – sanitation fees	(26,468)	34,268
Accounts receivable – other, net	(309,878)	(58,954)
Water-in-storage inventory	3,232	(2,168)
Prepaid and other	(15,485)	43,588
Advance deposits – investment-in-joint venture LVMWD/TSD facility	(3,540,297)	(882,676)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(338,526)	42,171
Customer deposits	<u>(30,598)</u>	<u>(3,856)</u>
Total adjustments	<u>(2,186,481)</u>	<u>678,430</u>
Net cash provided by operating activities	<u>\$ 650,763</u>	<u>\$ 4,774,457</u>
Schedule of noncash transactions:		
Accrued capitalized interest, net	\$ (455,909)	\$ (201,159)
Change in investment-in-joint venture LVMWD/TSD	\$ (1,610,974)	\$ (1,744,428)

See accompanying notes to the financial statements.