A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Triunfo Sanitation District (District) was organized on November 12, 1963, as a special District under the County Sanitation District Act, State of California Health & Safety Code Section 4700 et seq., to provide sanitation services for the southeastern portion of Ventura County, adjacent to the Los Angeles County line. The District Board is comprised of five directly-elected members-at-large. On October 12, 1964, the District and Las Virgenes Municipal Water District (LVMWD) entered into a joint powers agreement establishing a Joint Venture (LVMWD/TSD Joint Venture) to construct, operate, maintain and provide for a regional sewerage system to serve the area within the two districts. The two directly elected Board members-at-large are employees of the District. The District contracts with Ventura Regional Sanitation District for management, engineering, operations & maintenance, and financial services.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14), No. 61, *The Financial Reporting Entity: Omnibus* (An Amendment of GASB Statements No. 14 and No. 34), and No. 80, *Blending Requirements for Certain Component Units* (an amendment of No.14). The District is the primary governmental unit based on the foundation of a separately appointed governing board. Component units are legally separate organizations for which the governing board of the primary government is financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) The primary government and the component unit have a financial benefit or burden relationship; or 2) Management of the primary government have operational responsibility for the activities of the component unit.

The Triunfo Public Facilities Corporation (Corporation) was formed on June 30, 1987, to facilitate the issuance of certificates of participation for the acquisition, construction, operation and maintenance of facilities, equipment, or other property needed by the District and leasing or selling such property to the District and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations and the District's Board is also the governing board of the Corporation. No separate financial statements are prepared for the Corporation.

2. Measurement Focus and Basis of Accounting

The District 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, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (charges for services), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

2. Measurement Focus and Basis of Accounting (continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Triunfo Sanitation District of the potable, recycled, and wastewater services are charges to customers for sales and services. The District also recognizes the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then, unrestricted resources, as they are needed.

Each year, District staff prepares an annual budget. This annual budget, as adopted by the District Board of Directors is used for planning, serves as a basis for monitoring financial progress, and determines future service charge rates. During the fiscal year, the budget may be amended as circumstances or levels of operations dictates.

3. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of GASB Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* (GASB No. 34), as amended by GASB Statement No. 63, *"Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net position replaces the balance sheet and reports assets, liabilities, and the difference between them as net position, not equity. A statement of revenues, expenses and changes in net position replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

4. Assets, Liabilities, and Net Position

Cash and Investments – The District's cash and investments are governed by the District's Investment Policy and in compliance with the California Government Code. For purposes of reporting cash flows, the District considers cash and funds invested in the State of California Local Agency Investment Fund (LAIF), the Ventura County Treasury Pool (VCTP) and money market funds to be cash equivalents. In addition, all investments with an original maturity of three months or less when purchased are considered cash equivalents.

Investments are generally stated at fair value, which is based on quoted market prices as of the valuation date. The gain/loss resulting from valuation is reported in the revenue account "Interest and Investment Earnings" on the statements of revenues, expenses and changes in net position.

Restricted assets – Amounts shown as restricted assets have been restricted for customer deposits, prepaid sewer connection fees for the Lake Sherwood project and reserve fund for the Oak Canyon Reservoir Installment Purchase Financing.

Accounts receivable water sales and services – These receivables are comprised of services provided to water customers in the Oak Park service area.

Accounts receivable sanitation fees – These receivables are comprised of services provided to wastewater customers throughout the District and potable and reclaimed water customers of the District's Oak Park Water Service.

Advance deposits - investment in LVMWD/TSD Joint Venture – Pursuant to the Joint Powers Agreement, each participant is required to maintain advance deposits with the LVMWD/TSD Joint Venture for the following purposes:

> ***Operating Reserve Advance Account*** – Both participants are required to advance amounts estimated to provide for three months operating expenses. The District's share of operating reserve advance balances at June 30, 2017 and 2016 were $979,308 and $1,076,197, respectively.
>
> ***Construction Advance Account*** – Cash flow during construction is proportionately shared by both participants. Amounts are advanced to the LVMWD/TSD Joint Venture to meet construction cash flow requirements. The District's share of construction advance balances at June 30, 2017 was $532,355. The District had a credit of $63,102 at June 30, 2016.
>
> ***Replacement Reserve Advance Account*** – Both participants are required to advance amounts for the cost to replace existing assets. The District's share of replacement reserve advance balances at June 30, 2017 and 2016 were $1,813,012 and $1,243,199, respectively.

Water-in-storage inventory - Potable water available within the distribution pipelines and storage tanks is estimated and valued by the conversion of cubic feet to acre-feet and multiplied by current cost.

Prepaid and other - Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid.

Capital assets - Property and equipment with a cost of $5,000 or more and a life greater than one year is capitalized and stated at cost, except for the portions acquired by contribution, which are reported at acquisition value on the date received. Interest costs applicable to qualifying assets are capitalized as part of the cost of the assets. Interest earned on temporary investment of loan proceeds is offset against the interest costs capitalized. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over estimated useful lives of the assets as shown below:

Equipment	5 to 25 years
Potable water system	40 years
Recycled water system	40 years
Wastewater collection system	50 years

Construction in progress - Costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete, the entire cost of the project is transferred to a capital asset account and depreciated over the estimated useful life.

Accounts payable and accrued expenses – Short-term liability for amounts owed to suppliers, contractors and other organizations that have provided goods and services to the District by the end of the fiscal year for which payment had not been made. All properly documented payables and contract payments are processed within thirty days of invoice. In addition, an estimated loss is recorded in this category, net of insurance coverage and inclusive of an estimate for incurred but not reported claims, when it is probable that a claim liability has been incurred and the amount of the loss can be reasonably estimated.

Long-term obligations – Long-term debt is recognized as a liability of the enterprise fund when incurred, and is reported on the balance sheet as current and long-term portions.

Developer refund agreements – Long-term payables paid at the rate of one-fortieth of the total agreement amount with no interest accruing or paid.

Customer deposits – Deposits are required on all new customer accounts at start of service. The deposit shall be returned to the customer provided the customer's account has been in good standing for twelve consecutive months.

Unearned revenue – In October 2005, Sherwood Development Company, L.P. (Sherwood), paid the District $666,373 in advance for the connection and inspection fees for Tract 4409, Phases 4 through 8 with an estimated total of sixty-five (65) lots. In 2006, the County of Ventura approved the tract map and Sherwood is expecting to start construction from between five to ten years, or more.

Net Position - Net position reported on the statement of net position is displayed in three components: net investment in capital assets; restricted net position; and unrestricted net position. These three components are defined as follows:

Net investment in capital assets – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.

Restricted net position – This component of net position consists of restricted assets reduced by liabilities related to those assets. Constraints on net position can be used through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position **–** This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

Use of estimates **–** The preparation of the basic 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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates**.**

B. DETAILED NOTES

1. Cash and Investments

The District has adopted the provision of Statement No. 31 of the Governmental Accounting Standards Board, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" (GASB 31), and Statement No. 40 of the Governmental Accounting Standards Board, "*Deposit and Investment Risk Disclosures*" (GASB 40), which require that certain investments and external investment pools be reported at fair market value and disclosure be made of certain deposit and investment risks.

The District's investment policy is governed by and in compliance with the California Government Code. The investment policy's objectives are to provide safety of principal, maintain liquidity, and earn a competitive yield. The District is authorized to invest funds in the California State Treasurer's Local Agency Investment Fund (LAIF), Ventura County Treasurer's Investment Pool (County Pool), and other qualified investments in accordance with the District's investment policy.

Cash and Cash Equivalents

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	2017	2016
Cash and cash equivalents	$ 8,865,096	$ 8,736,523
Restricted cash and cash equivalents	1,376,806	1,315,718
Total Cash and Investments	$ 10,241,902	$ 10,052,241

Cash and cash equivalents as of June 30 consist of the following:

	2017	2016
Cash and cash equivalents		
Deutsch Bank-Money Market Fund	$ -	$ 228,935
Banc of America Public Capital Corp - Escrow Funds	66,312	-
Local Agency Investment Fund (LAIF)	619,323	616,351
Ventura County Treasury Pool	8,132,413	8,789,462
Sweep Account	1,423,854	417,493
Total Cash and Cash Equivalents	$ 10,241,902	$ 10,052,241

At June 30, 2017, and 2016, the carrying amount of cash in bank deposits was $1,423,854 and $417,493 respectively, and the corresponding bank balance was $1,836,774 and $528,638 respectively. The difference between the carrying amount of cash in banks and the corresponding bank balance is due to deposits in transit and outstanding checks. All deposits are insured or collateralized.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and the concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
LAIF	N/A	None	None
Ventura County Investment Pool	N/A	None	None

The District's Investment Policy is more restrictive than the California Government Code by prohibiting repurchase and reverse repurchase agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity date:

Investments at June 30, 2017:

Investment Type	Fair Value Total	Remaining Maturity (In Months) 12 Month or Less
Local Agency Investment Fund (LAIF)	$ 619,323	$ 619,323
Ventura County Treasury Pool	8,132,413	8,132,413
Total	$ 8,751,736	$ 8,751,736

Investments at June 30, 2016:

Investment Type	Fair Value Total	Remaining Maturity (In Months) 12 Month or Less
Money market funds	$ 228,935	$ 228,935
Local Agency Investment Fund (LAIF)	616,351	616,351
Ventura County Treasury Pool	8,789,462	8,789,462
Total	$ 9,634,748	$ 9,634,748

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year-end for each investment type.

Credit ratings of investments and cash and cash equivalents as of fiscal year-end, were as follows:

Investment Type	Total as of June 30, 2017	Minimum Legal Rating	Not Rated
Local Agency Investment Fund (LAIF)	$ 619,323	N/A	$ 619,323
Ventura County Treasury Pool	8,132,413	N/A	8,132,413
Total	$ 8,751,736		$ 8,751,736

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	Not Rated
Money Market Funds	$ 228,935	N/A	$ 228,935
Local Agency Investment Fund (LAIF)	616,351	N/A	616,351
Ventura County Treasury Pool	8,789,462	N/A	8,789,462
Total	$ 9,634,748		$ 9,634,748

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The District has the following recurring fair value measurements as of June 30, 2017:

Investments measured at the Net Asset Value (NAV)	Total as of June 30,2017
Local Agency Investment Fund (LAIF)	$ 619,323
Ventura County Treasury Pool	8,132,413
	8,751,736
Total	$ 8,751,736

The District has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurement Using		
Investment by Fair Value	Total as of June 30,2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money Market Fund	$ 228,935	$ 228,935	$ -	$ -
Total	$ 228,935	$ 228,935	$ -	$ -

Investments measured at the Net Asset Value (NAV)	
Local Agency Investment Fund (LAIF)	$ 616,351
Ventura County Treasury Pool	8,789,462
	9,405,813
Total	$ 9,634,748

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Other than amounts invested in the Local Agency Investment Fund (LAIF) and the Ventura County Treasurer Investment Pool, there are no investments in any one issuer that represent 5% or more of total District investments as of June 30, 2017 and 2016.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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 California Government Code and the Triunfo Sanitation District investment policy do not contain legal or policy requirements that limit the exposure to custodial credit risk for deposits, other than the following provisions: The California Government Code requires that financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of pledged securities must equal 110% of the District's deposits. California law allows financial institutions to secure District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

The custodial risk for investment is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. All securities held in the Ventura County Treasurer investment pool are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

Investment in Ventura County Treasurer Investment Pool

The District is a voluntary participant in the Ventura County Treasurer's investment pool, which complies with the requirements of the California Government Code. Investments are stated at fair value. The fair value of the District's position in the pool is the same as the value of the pool shares. The District maintains a separate balance and investment income is allocated on a pro rata basis. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments is required under generally accepted accounting principles. The District's deposits in the fund are considered highly liquid.

All wire transfer requests must be delivered to the Auditor's office for transmission the following banking day as follows:

- Wire transfers less than $200,000 by 3:00 p.m. the previous day.
- Wire transfers $200,000-$1,000,000 require a minimum of 24 hours advance notice.
- Transfers greater than $1,000,000 require a minimum of 1 week advance notice.
- Transfers greater than $10,000,000 require a minimum of 2 weeks advance notice.
- Deviations from the above schedule or estimated dollar values requires advance approval.

Additional information about the Ventura County investment pool can be obtained from the County of Ventura, California – Treasurer-Tax Collector, 800 South Victoria Avenue, California 93009.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is an external investment pool that is not registered with the Securities and Exchange Commission. It is, however, regulated by the California Government Code. The State of California's LAIF has oversight by the Local Agency Investment Advisory Board, which consists of the State Treasurer, two qualified members in the field of investment or finance, and two qualified government members of the state. Investments are stated at fair value and investment income is allocated on a pro rata basis. The fair value of the District's position in the pool is the same as the value of the pool shares. The District maintains a separate balance and investment income is allocated on a pro rata basis. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments is required under generally accepted accounting principles. The share value of the District's investment in LAIF is $619,323 and $616,351 at June 30, 2017 and 2016, respectively. The deposits in the fund are considered highly liquid.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of a $1,000 dollars.
- Withdrawals of $10,000,000 or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

The total amount invested by all public agencies in LAIF at June 30, 2017 and 2016 is $22.8 billion and $22.7 billion, respectively. LAIF is a part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017 and 2016 had a balance of $77.6 billion and $75.4 billion, respectively. Of those amounts, 2.89% and 2.81%, respectively, is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 194 days and 167 as of June 30, 2017 and 2016.

2. <u>Restricted Assets</u>

Detail of restricted assets as reported in the accompanying statement of net position is shown in the following table:

	2017	2016
Cash and cash equivalents restricted for:		
Customer deposits	$ 42,121	$ 47,345
Unearned revenue	666,373	666,373
Conifer loan reserve requirement	602,000	602,000
Banc of America Public Capital Corp - Escrow Funds	66,312	-
Total restricted cash and cash equivalents	$ 1,376,806	$ 1,315,718

3. Accounts Receivable

Water sales and services, net – These receivables are comprised of services provided to customers in the Oak Park service area and are shown net of an allowance for uncollectible accounts. The allowance totals $9,344 and $11,387 at June 30, 2017 and 2016, respectively.

Sanitation fees – The District annually submits a list of customers and service charge amounts to the County of Ventura (County) who, in accordance with the California Government Code, adds these amounts to the annual property tax billing; then collects and distributes the amounts received to the District. Unpaid property tax bills become a lien on the property and, ultimately are collected by the County and paid to the District. Sewer line mitigation consists of amounts billed to a developer to repair sewer lines placed in service, but not repaired in accordance with District inspection reports during the initial one-year warranty period. Receivable amounts are shown net without an allowance for uncollectible accounts because all are deemed collectable.

Other, net – These receivables result from miscellaneous activities such as prior year taxes, cellular antenna site rental and reimbursed State mandated costs and are shown net of an allowance for uncollectible accounts. Receivable amounts are shown net without an allowance for uncollectible accounts because all are deemed collectable.

Summary of accounts receivable as reported in the accompanying statement of net position are shown as follows:

June 30, 2017

Accounts receivable - Trade	Gross	Allowance	Net
Water sales and services	$ 937,858	$ (9,344)	$ 928,514
Sanitation fees	278,472	-	278,472
Other receivables	7,078	-	7,078
Total accounts receivable	$ 1,223,408	$ (9,344)	$ 1,214,064

June 30, 2016

Accounts receivable - Trade	Gross	Allowance	Net
Water sales and services	$ 735,988	$ (11,387)	$ 724,601
Sanitation fees	200,526	-	200,526
Other receivables	37,504	-	37,504
Total accounts receivable	$ 974,018	$ (11,387)	$ 962,631

4. Capital Assets

Changes to capital assets during fiscal years ended June 30, 2017 and 2016, were as follows:

Changes in capital assets for 2017 were as follows:	Balance June 30, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
Non-depreciable assets:				
Land	$ 71,370	$ -	$ -	$ 71,370
Construction -in-progress	705,842	11,846,931	(11,733,979)	818,794
Total non-depreciable assets	777,212	11,846,931	(11,733,979)	890,164
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collections systems	16,535,876	-	-	16,535,876
Recycled water systems	3,969,108	-	11,733,979	15,703,087
Potable water systems	27,513,211	-	-	27,513,211
Other physical property	581,465	-	-	581,465
Total depreciable assets	49,320,494	-	11,733,979	61,054,473
Accumulated depreciation:				
Structures and improvements	(209,596)	(18,255)	-	(227,851)
Wastewater collections systems	(9,189,684)	(296,071)	-	(9,485,755)
Recycled water systems	(1,823,300)	(147,460)	-	(1,970,760)
Potable water systems	(8,970,466)	(764,817)	-	(9,735,283)
Other physical property	(288,738)	(44,785)	-	(333,523)
Total accumulated depreciation:	(20,481,784)	(1,271,388)	-	(21,753,172)
Total depreciable assets, net	28,838,710	(1,271,388)	11,733,979	39,301,301
Total capital assets, net	$ 29,615,922	$ 10,575,543	$ -	$ 40,191,465

Changes in capital assets for 2016 were as follows:	Balance June 30, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable assets:				
Land	$ 71,370	$ -	$ -	$ 71,370
Construction -in-progress	2,741,487	405,464	(2,441,109)	705,842
Total non-depreciable assets	2,812,857	405,464	(2,441,109)	777,212
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collections systems	16,535,876	-	-	16,535,876
Recycled water systems	3,913,923	-	55,185	3,969,108
Potable water systems	25,127,287	-	2,385,924	27,513,211
Other physical property	581,465	-	-	581,465
Total depreciable assets	46,879,385	-	2,441,109	49,320,494
Accumulated depreciation:				
Structures and improvements	(191,341)	(18,255)	-	(209,596)
Wastewater collections systems	(8,798,071)	(391,613)	-	(9,189,684)
Recycled water systems	(1,725,431)	(97,869)	-	(1,823,300)
Potable water systems	(8,234,707)	(735,759)	-	(8,970,466)
Other physical property	(243,953)	(44,785)	-	(288,738)
Total accumulated depreciation:	(19,193,503)	(1,288,281)	-	(20,481,784)
Total depreciable assets, net	27,685,882	(1,288,281)	2,441,109	28,838,710
Total capital assets, net	$ 30,498,739	$ (882,817)	$ -	$ 29,615,922

Construction in progress - The District has been involved in various construction projects throughout the fiscal year. The balances of the various construction projects that comprise the construction in progress balances at June 30 are as follows:

Construction Projects	2017	2016
Developer tracts in progress	$ 374,543	$ 374,543
Hydraulic Model-PW	138,046	106,012
Water Storage Study-RW	59,295	59,295
Lakeside Lift Station Improvements	49,276	26,867
Westlake Lift Station Abandonment	21,112	21,048
Capri Tract RW Improvements	78,697	63,834
Regency RW Pump Station Design	16,988	9,795
Oak Park North Apts RW Improvements	45,074	44,448
GP Sewer Automation	8,347	-
GP PW Upgrade/Automation	27,416	-
RW System Purchase	11,733,979	-
Transfer to RW capital	(11,733,979)	-
Total	**$** 818,794	$ 705,842

5. Joint Venture

The District and Las Virgenes Municipal Water District are parties to a joint exercise of powers agreement (LVMWD/TSD Joint Venture Agreement) to provide for construction, operation, maintenance and replacement of a joint sanitation system to serve the respective parties' needs. The LVMWD/TSD Joint Venture is governed by the individual Board of Directors of the two districts meeting in joint session and Pun & McGeady, LLP is the independent auditor. Equipment costs and contributions in aid of construction are shared in accordance with each district's capacity rights reserved in each component of the LVMWD/TSD Joint Venture system. While the districts own the system jointly, they each account for their share of its financing individually. Thus, the LVMWD/TSD Joint Venture itself has no long-term debt. Operating costs and local maintenance are prorated and billed to the districts in accordance with the average monthly flows contributed to the system. LVMWD is designated the Administering Agent for facilities located in Los Angeles County. The following is a condensed summary of audited financial information for the LVMWD/TSD Joint Venture as of and for the fiscal years ended June 30, 2017 and June 30, 2016:

TSD/LVMWD Joint Venture
Condensed Statements of Net Position
(In Thousands of Dollars)

	2017	2016	Change
Assets:			
Current assets	$ 8,172	$ 6,463	$ 1,709
Capital assets, net	91,010	92,760	(1,750)
Total assets	99,182	99,223	(41)
Liabilities:			
Current liabilities	750	651	99
Non-current liabilities	7,422	5,812	1,610
Total liabilities	8,172	6,463	1,709
Net position of participants net investment in capital assets:			
Las Virgenes Municipal Water District	60,406	61,601	(1,195)
Triunfo Sanitation District	30,604	31,159	(555)
Total net position	$ 91,010	$ 92,760	$ (1,750)

TSD/LVMWD Joint Venture
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands of Dollars)

	2017	2016	Change
Revenues:			
Operating revenues	$ 2,168	$ 2,357	$ (189)
Non-operating revenues	45	22	23
Total revenues	2,213	2,379	(166)
Expenses:			
Operating expenses	14,755	13,919	836
Non-operating expenses	554	44	510
Depreciation and amortization	5,629	6,492	(863)
Total expenses	20,938	20,455	483
Net loss before participant contributions	(18,725)	(18,076)	(649)
Billings to participants	12,542	11,540	1,002
Excess after billings to participants	(6,183)	(6,536)	353
Participants capital contributions	4,433	2,814	1,619
Change in Net Position	(1,750)	(3,722)	1,972
Beginning Net Position	92,760	96,482	(3,722)
Ending Net Position	$ 91,010	$ 92,760	$ (1,750)

The Financial Statements of the LVMWD/TSD Joint Venture can be obtained from:

Las Virgenes Municipal Water District
4232 Las Virgenes Road
Calabasas, California 91302

Triunfo Sanitation District
1001 Partridge Drive, Suite 150
Ventura, California 93003

Advance deposits – Investment in Joint Venture - Pursuant to the LVMWD/TSD Joint Powers Agreement, each District is required to maintain advances with the LVMWD/TSD Joint Venture for the following purposes:

TSD Joint Venture Advances	2017	2016
Operating reserve advance	$ 979,308	$ 1,076,197
Construction advance	1,813,012	(63,102)
Replacement reserve advance	532,355	1,243,199
Total joint venture advances	$ 3,324,675	$ 2,256,294

6. Long Term Obligations

2011 Bank of America, N.A. – Installment Purchase Agreement

The District entered into an Installment Purchase Agreement with the Triunfo Public Facilities Corporation for $7,760,000. The funds were received to provide financing for the acquisition and construction of a single 2.1 million gallon buried water storage tank located nearly due north of the intersection of Kanan Road and Churchwood Street on the northeast side of the ridge facing into Oak Canyon Community Park. The existing 1.0 million gallon water storage tank located southwest of the western terminus of Conifer Street was demolished. Additionally, approximately four miles of existing water supply lines and a non-usable water tank and its pump station were acquired through easement agreements and decommissioned. The Triunfo Public Facilities Corporation assigned all of its rights, title and interest in the Installment Purchase Agreement dated February 1, 2011 to Bank of America. Semiannual principal and interest payments of $300,858 are due February 1 and August 1, commencing August 1, 2011 through February 1, 2031. Interest is at 4.68%. The District has pledged its Net Revenues for the repayment of the Installment Sale Agreement.

2014 Bank of America, N.A. – Master Equipment Lease/Purchase Agreement

The District entered into a Master Equipment Lease/Purchase Agreement with Bank of America, National Association for $2,535,000. The funds were received to provide financing to replace all potable and recycled water meters with Automated Meters. This project eliminated manual reading of the meters and provided the District with timely and more accurate meter reading. Semiannual principal and interest payments of $107,360 are due May 22 and November 22, commencing November 22, 2014 through May 22, 2029. Interest is at 3.24%. The District has pledged its Net Revenues for the repayment of the Master Equipment Lease/Purchase Agreement.

2017 Bank of America, N.A. – Lease Purchase Agreement

The District entered into a Lease Purchase Agreement with Bank of America, National Association for $11,725,000. The funds were received to provide financing for the acquisition of the Calleguas Municipal Water District (CMWD) Recycled Water Pipeline and related facilities including improvements but not limited to a supervisory control and data acquisition ("SCADA") system. Semiannual principal and interest payments of $488,699 are due February 15 and August 15, commencing August 15, 2017 through February 15, 2032. Interest rate for the taxable component of $1,876,000 is at 4.39% and the tax exempt component of $9,849,000 is at 2.74%. The District has pledged its Net Revenues for the repayment of the Master Equipment Lease/Purchase Agreement.

The following table summarizes the District's debt at June 30, 2017.

	Balance at June 30, 2016	Additions	Payments/ Deletions	Balance at June 30, 2017	Amounts Due in One Year
Loan Payable:					
2017 RW System Purchase	$ -	$ 11,725,000	$ -	$ 11,725,000	$ (629,538)
2014 Automated Meter Read Loan	2,263,316	-	(142,533)	2,120,783	(147,189)
2011 Construction loan	6,433,501	-	(304,145)	6,129,356	(318,545)
Total long-term debt	8,696,817	$ 11,725,000	$ (446,678)	19,975,139	$ (1,095,272)
Less current portion	(446,678)			(1,095,272)	
Total long-term portion	$ 8,250,139			$ 18,879,867	

The following table summarizes the District's debt at June 30, 2016.

	Balance at June 30, 2015	Additions	Payments/ Deletions	Balance at June 30, 2016	Amounts Due in One Year
Loan Payable:					
2014 Automated Meter Read Loan	$ 2,401,341	$ -	$ (138,025)	$ 2,263,316	$ (142,533)
2011 Construction loan	6,723,896	-	(290,395)	6,433,501	(304,145)
Total long-term debt	9,125,237	$ -	$ (428,420)	8,696,817	$ (446,678)
Less current portion	(428,420)			(446,678)	
Total long-term portion	$ 8,696,817			$ 8,250,139	

The annual requirements to amortize the installment purchase agreement and master equipment lease loans are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2018	$ 1,095,272	$ 698,560	$ 1,793,832
2019	1,134,068	659,763	1,793,831
2020	1,174,326	619,506	1,793,832
2021	1,216,102	577,730	1,793,832
2022	1,259,459	534,374	1,793,833
2023-2027	7,007,494	1,961,666	8,969,160
2028-2032	7,088,418	634,869	7,723,287
Total	19,975,139	5,686,468	25,661,607
Less current portion	(1,095,272)	(698,560)	(1,793,832)
Total non-current	$ 18,879,867	$ 4,987,908	$ 23,867,775

Developer Refund Agreements - Long-term payables consisting of Developer Refund Agreements acquired by the District with the purchase of the Metropolitan Water Company for the repayment of water system construction costs. Developer Refund Agreements are paid at the rate of one-fortieth of the total agreement amount annually in October with no interest accruing or paid.

The following summarizes the District's Developer Refund Agreement obligations at June 30, 2017:

Developer/Tract	Balance at June 30, 2016	Additions	Payments/ Deletions	Balance at June 30, 2017	Amounts Due in One Year
CalProp/4315	$ 59,904	$ -	$ (3,744)	$ 56,160	$ (3,744)
Grupe/3984	46,838	-	(4,930)	41,908	(4,930)
Morrison/4071	201,223	-	(11,835)	189,388	(11,835)
Warmington/4474	134,890	-	(6,745)	128,145	(6,745)
Total developer refunds	442,855	$ -	$ (27,254)	415,601	$ (27,254)
Less current portion	(27,254)			(27,254)	
Total long-term portion	$ 415,601			$ 388,347	

The following summarizes the District's Developer Refund Agreement obligations at June 30, 2016:

Developer/Tract	Balance at June 30, 2015	Additions	Payments/ Deletions	Balance at June 30, 2016	Amounts Due in One Year
CalProp/4315	$ 63,648	$ -	$ (3,744)	$ 59,904	$ (3,744)
Grupe/3984	51,768	-	(4,930)	46,838	(4,930)
Morrison/4071	213,058	-	(11,835)	201,223	(11,835)
Warmington/4474	141,635	-	(6,745)	134,890	(6,745)
Total developer refunds	470,109	$ -	$ (27,254)	442,855	$ (27,254)
Less current portion	(27,254)			(27,254)	
Total long-term portion	$ 442,855			$ 415,601	

The annual maturities of the Developer Refund Agreements are as follows:

Fiscal Year	Principal
2018	$ 27,254
2019	27,254
2020	27,254
2021	27,254
2022	27,254
2023-2027	123,943
2028-2032	107,874
2033-2035	20,261
Total	388,347
Less current portion	(27,254)
Total non-current	$ 361,093

7. Net Positions

The following is the detail of net position:

The balance at June 30, consists of the following:		2017		2016
Capital assets, net	$	40,191,465	$	29,615,922
Portion of loans payable used to purchase capital assets		(19,908,827)		(8,467,882)
Developer refund agreements		(415,601)		(442,855)
Total net investment in capital assets	$	19,867,037	$	20,705,185

Restricted for debt service:

		2017		2016
Conifer loan reserve requirement	$	602,000	$	602,000
Total restricted	$	602,000	$	602,000

8. Management Agreement

The District has an agreement with the Ventura Regional Sanitation District (VRSD) for VRSD to provide staffing, management, operation and maintenance of facilities; to provide staffing for the administration and management of the District; and support services to the District Governing Board, as well as other closely-related services. The total cost of services paid by the District to VRSD in fiscal year 2017 was $3,697,611 and $3,792,854 in fiscal year 2016. The original agreement between the two agencies started back in September 1977. Since then, the two agencies have determined it would be to the mutual benefit of both parties to revise and/or amend the contract to reflect changes that have occurred during the past years. Under the agreement, the District has the right to evaluate the performance of VRSD's services under the agreement. The current contract expires on June 30, 2025. Both the District and VRSD may terminate this agreement for its convenience and without cause by giving the party one year prior written notice. In addition, both parties may also terminate this agreement in the event of a material default if such default remains uncured upon the expiration of sixty (60) days after receipt of written notice.

C. OTHER INFORMATION

1. Risk Management

Joint Powers Insurance Authority

California Sanitation Risk Management Authority (CSRMA) is a joint powers authority (JPA) created to provide a self-insurance program to sanitation agencies in the State of California. CSRMA provides liability, property and workers' compensation insurance for approximately 58 sanitation agencies for losses in excess of the members' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. A Board of Directors composed of members from participating districts governs CSRMA. The Board controls the operations of CSRMA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member of CSRMA shares surpluses and deficiencies proportionate to its participation in CSRMA.

The financial statements of CSRMA may be obtained from:

CSRMA
C/o Driver Alliant Insurance Services
100 Pine Street, 11th Floor
San Francisco, California 94111-5101

Joint Venture Insurance

The District is insured for a variety of potential exposures associated with the LVMWD/TSD Joint Venture. The LVMWD/TSD Joint Venture is a named insured in the liability and property insurance program of the LVMWD. LVMWD retained Argonaut Insurance Company, for general liability, property, inverse condemnation, auto and physical damage. In addition, reinsurance support for the program is provided by Swiss Reinsurance of America and Travelers Re. The coverage for the general liability provides $11 million per occurrence and $61 million in the aggregate with a $50,000 deductible per occurrence. The coverage for the property provides $61 million of coverage with a deductible of $50,000 per occurrence.

Effective August 1, 2012, the LVMWD/TSD Joint Power's Authority retained ACWA/JPIA for its workers' compensation insurance coverage.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2017 and 2016.

2. Commitments and Contingencies

The District had contractual commitments with outside firms for engineering, consulting, or other various supplies and services totaling approximately $253,723 and $144,100 in fiscal year 2017 and fiscal year 2016, respectively.

The District is involved in litigation encountered in the normal course of business. In certain of these matters, the defense costs and settlement costs, if any, are covered by the District's liability insurance policies. In the opinion of management, there is no pending litigation that would materially affect the District's liability insurance policies or financial position.

3. Subsequent events

In December 2017, the Board unanimously approved a seventeen cents per hundred cubic feet ($.17/HCF) as a pass through potable water fee increase to cover the Calleguas Municipal Water district's wholesale supply rate increase. The potable water rate increase is effective January 1, 2018.

D. FUTURE ACCOUNTING PRONOUNCEMENTS

The following GASB Statements will be implemented in future financial statements:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, is effective for periods beginning after December 15, 2016.

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73, is effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, Certain Asset Retirement Obligations, is effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, Fiduciary Activities, is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, Omnibus 2017, is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, Certain Debt Extinguishment Issues, is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, Leases, is effective for fiscal years beginning after December 15, 2019.