

Financial Section



Financial Section

Triunfo Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2018 and June 30, 2017





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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018 and June 30, 2017, 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, 2018 and June 30, 2017, 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 17, 2018, 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 17, 2018

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, 2018 and 2017. 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 \$64.7 million (*net position*), an increase of \$2.0 million from the \$62.7 million ending balance in fiscal year 2017. In fiscal year 2018, the \$13.9 million (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors, in comparison to \$11.6 million in the prior year.
- The District's \$2.0 million net position increase in fiscal year 2018 represents 3.2%, an improvement over the \$36,826 or 0.1% increase in fiscal year 2017.
- In fiscal year 2018, the District's total revenues increased by 16.8% to \$19.6 million while total expenses increased by 5% to \$17.6 million as compared to fiscal year 2017 in which revenues increased by 10.2% to \$16.8 million and total expenses increased by 2% to \$16.7 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

	2018	2017	Change	% Change
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	38,796,500	40,191,465	(1,394,965)	-3.5%
Total assets	86,627,199	85,720,420	906,779	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	18,106,893	19,268,214	(1,161,321)	-6.0%
Total liabilities	21,906,224	23,004,072	(1,097,848)	-4.8%
Net Position:				
Net investment in capital assets	50,139,496	50,404,186	(264,690)	-0.5%
Restricted:				
Conifer loan reserve requirement	602,000	602,000	-	0.0%
Escrow funds	42,392	66,312	(23,920)	-36.1%
Unrestricted	13,937,087	11,643,850	2,293,237	19.7%
Total net position	\$ 64,720,975	\$ 62,716,348	\$ 2,004,627	3.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(CONTINUED)

The \$2.0 million increase in net position was a result of a \$1.1 million reduction in liabilities, specifically the repayment of long-term debt, in addition to a \$0.9 million increase in total assets, resulting from a \$2.3 million increase in current assets, offset by a \$1.4 million reduction in capital assets.

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

The largest component of the District's net position (\$50.1 million) reflects capital assets net of accumulated depreciation, of which \$30.6 million reflects the District's capital assets investment in a Joint Venture with the Las Virgenes Municipal Water District. 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 capital assets investment in the Joint Venture can be located in Note B5 on pages 42-43. The remaining \$19.5 million 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, 2018 and 2017, the District's restricted net position was \$644,392 and \$668,312 respectively.

The third and final component of the District's net position (\$13.9 million) reflects unrestricted net position that may be used to meet the District's ongoing obligations to creditors and constituencies.

In fiscal year 2017, the District's capital assets, including the investment in Joint Venture with the Las Virgenes Municipal Water District of \$30.6 million, reflects 80.3% of total District net position. As seen in the table on page 18, total net position increased slightly by \$36,826 to \$62.7 million in fiscal year 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(CONTINUED)

Condensed Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 13,548,688	\$ 12,025,977	\$ 1,522,711	12.7%
Restricted current assets	1,376,806	1,315,718	61,088	4.6%
LVMWD/TSD-joint venture	30,603,461	31,159,462	(556,001)	-1.8%
Capital assets, net	40,191,465	29,615,922	10,575,543	35.7%
Total assets	85,720,420	74,117,079	11,603,341	15.7%
Liabilities:				
Liabilities payable from unrestricted current assets	3,027,364	2,058,099	969,265	47.1%
Liabilities payable from restricted current assets	708,494	713,718	(5,224)	-0.7%
Non-current liabilities	19,268,214	8,665,740	10,602,474	122.3%
Total liabilities	23,004,072	11,437,557	11,566,515	101.1%
Net Position:				
Net investment in capital assets	50,404,186	51,864,647	(1,460,461)	-2.8%
Restricted:				
Conifer loan reserve requirement	602,000	602,000	-	0.0%
Escrow funds	66,312	-	66,312	NA
Unrestricted	11,643,850	10,212,875	1,430,975	14.0%
Total net position	\$ 62,716,348	\$ 62,679,522	\$ 36,826	0.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(CONTINUED)

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 \$2,004,627 in fiscal year 2018.

Total revenues increased by \$2,809,467 (16.8%) compared to fiscal year 2017. Recycled water and potable water are highly cyclical in nature affected by weather and some conservation efforts; both showed increases in 2018. Potable water rates and quantity sold increased by 13% and 13.3% respectively which resulted in revenue increase of \$1,574,260 or 34.4% while recycled water rates increased by 15% with a 5.5% decrease in quantity sold, resulting in an increase in revenue of \$169,281 or 7%. A 6.5% rate increase combined with a 0.1% increase in fixture units, resulted in a revenue increase of \$596,168 or 7.8% for sanitation fees.

Total expenses increased by \$841,666 or 5.0% compared to fiscal year 2017. The increase was attributable to an increase in management and administrative costs of \$821,901 or 19.3%, as well as increases in wastewater treatment, potable water purchase, interest and depreciation expense totaling \$1,189,302. As a result of the purchase of the Recycled Water System from Calleguas Municipal Water District, the cost of recycled water decreased by \$912,980 (56%). Professional services also shows a decrease of \$126,929 or 55.1% compared to fiscal year 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(CONTINUED)

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

	2018	2017	Change	% Change
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%
Total revenues	19,565,704	16,756,237	2,809,467	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%
Management and administrative	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%
Total expenses	17,561,077	16,719,411	841,666	5.0%
Change in net position	2,004,627	36,826	1,967,801	5343.5%
Net position, beginning of fiscal year	62,716,348	62,679,522	36,826	0.1%
Net position, end of fiscal year	\$ 64,720,975	\$ 62,716,348	\$ 2,004,627	3.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(CONTINUED)

In fiscal year 2017, total revenues increased by \$1,554,566 or 10.2% compared to fiscal year 2016. Recycled water and potable water both are highly cyclical in nature due to the weather and some conservation efforts. Recycled water sales increased by \$110,235, potable water sales by \$850,238, and sanitation fees by \$512,660.

Total expenses increased by \$333,659 (2.0%) compared to fiscal year 2016. The increase was attributable to an increase in wastewater treatment expenses, professional services, and interest expense.

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

	2017	2016	Change	% Change
Revenues:				
Operating revenues:				
Sanitation fees	\$ 7,657,139	\$ 7,144,479	\$ 512,660	7.2%
Potable water sales	4,575,323	3,725,085	850,238	22.8%
Recycled water sales	2,406,038	2,295,803	110,235	4.8%
Water meter service fees	1,679,051	1,379,077	299,974	21.8%
Other	269,137	464,169	(195,032)	-42.0%
Non-operating revenues:				
Rental revenue - cellular antennas	111,672	112,270	(598)	-0.5%
Interest and investment earnings	50,628	69,338	(18,710)	-27.0%
Other	7,249	11,450	(4,201)	-36.7%
Total revenues	16,756,237	15,201,671	1,554,566	10.2%
Expenses:				
Operating expenses:				
Wastewater treatment	4,058,695	3,917,234	141,461	3.6%
Potable water purchased	2,961,082	2,680,573	280,509	10.5%
Recycled water purchased	1,629,682	1,871,720	(242,038)	-12.9%
Professional services	230,423	94,030	136,393	145.1%
Management and administrative	4,249,750	4,338,605	(88,855)	-2.0%
Depreciation and amortization	1,271,388	1,288,281	(16,893)	-1.3%
Change in investment LVMWD/TSD	1,874,056	1,827,859	46,197	2.5%
Non-operating expenses:				
Interest expense	444,335	367,450	76,885	20.9%
Total expenses	16,719,411	16,385,752	333,659	2.0%
Change in net position	36,826	(1,184,081)	1,220,907	-103.1%
Net position, beginning of fiscal year	62,679,522	63,863,603	(1,184,081)	-1.9%
Net position, end of fiscal year	\$ 62,716,348	\$ 62,679,522	\$ 36,826	0.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(CONTINUED)

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2018, (at cost) amounted to \$62.1 million or \$38.8 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 2018 were:	<u>Balance 2017</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</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>\$ (1,394,965)</u>	<u>\$ -</u>	<u>\$ 38,796,500</u>

Changes in capital asset amounts for 2017 were:	<u>Balance 2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2017</u>
Capital Assets:				
Non-depreciable assets	\$ 777,212	\$ 11,846,931	\$ (11,733,979)	\$ 890,164
Depreciable assets	49,320,494	11,733,979	-	61,054,473
Accumulated depreciation and amortization	<u>(20,481,784)</u>	<u>(1,271,388)</u>	<u>-</u>	<u>(21,753,172)</u>
Total capital assets, net	<u>\$ 29,615,922</u>	<u>\$ 22,309,522</u>	<u>\$ (11,733,979)</u>	<u>\$ 40,191,465</u>

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

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

Major capital asset events during the fiscal year 2017 included the following:

- Recycled Water System - \$11,733,979
- Various capital projects - \$112,952
- Accumulated depreciation - \$1,271,388

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, 2018, was \$18,879,867.

	Balance at June 30, 2017	Additions	Payments/ Deletions	Balance at June 30, 2018
Long-term debt:				
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	\$ -	\$ (1,095,272)	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>

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, 2017, was \$19,975,139.

	Balance at June 30, 2016	Additions	Payments/ Deletions	Balance at June 30, 2017
Long-term debt:				
2014 AMR Loan	\$ 2,263,316	\$ -	\$ (142,533)	\$ 2,120,783
2011 Construction Loan	6,433,501	-	(304,145)	6,129,356
2017 RW System Purchase Loan	<u>-</u>	<u>11,725,000</u>	<u>-</u>	<u>11,725,000</u>
Total long-term debt	8,696,817	\$ 11,725,000	\$ (446,678)	19,975,139
Less current portion	<u>(446,678)</u>			<u>(1,095,272)</u>
Total long-term portion	<u>\$ 8,250,139</u>			<u>\$ 18,879,867</u>

Economic Factors and Next Fiscal Year's Budget and Rates

- The District Board considered the factors mentioned above when setting the fiscal year 2019 budget, rates, and fees. The District's fiscal year 2018-19 Adopted Budget (expenses not including the change in investment-in-joint venture LVMWD/TSD) totaled \$17,594,817 or 5.1% increase when compared to the prior year.
- Based on the wastewater rate study and the five-year programmed rate, this is the third year of the Board approved 6.5% annual rate increase which started in fiscal year 2016 ending in fiscal year 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, 2019. The CMWD rate increase is a pass through increase to the Oak Park Water Service (OPWS) customers. The equivalent increase in the potable water rates will be eleven cents per hundred cubic feet (\$.11/HCF) across all the tiers effective January 1, 2019.
- District staff is provided entirely by contract with the Ventura Regional Sanitation District (VRSD). This support consists of approximately fifteen (15.16) full-time equivalent positions made up of the part-time efforts of approximately forty-six (46) people in ten (10) different areas of expertise. The VRSD hourly billing rates increased on average by 3% effective July 1, 2018.

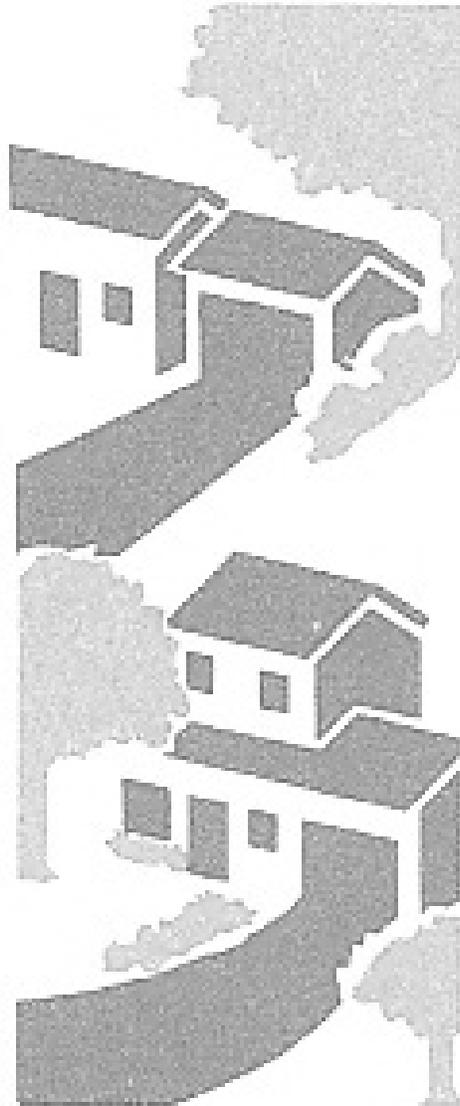
The District Board held workshops to assess the available working capital, the operating, and capital needs of the District. Additional information is provided in the transmittal letter on Page 1 of this report and Note C of the Notes to the Financial Statements.

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.triunfosanitation.com

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Basic Financial Statements

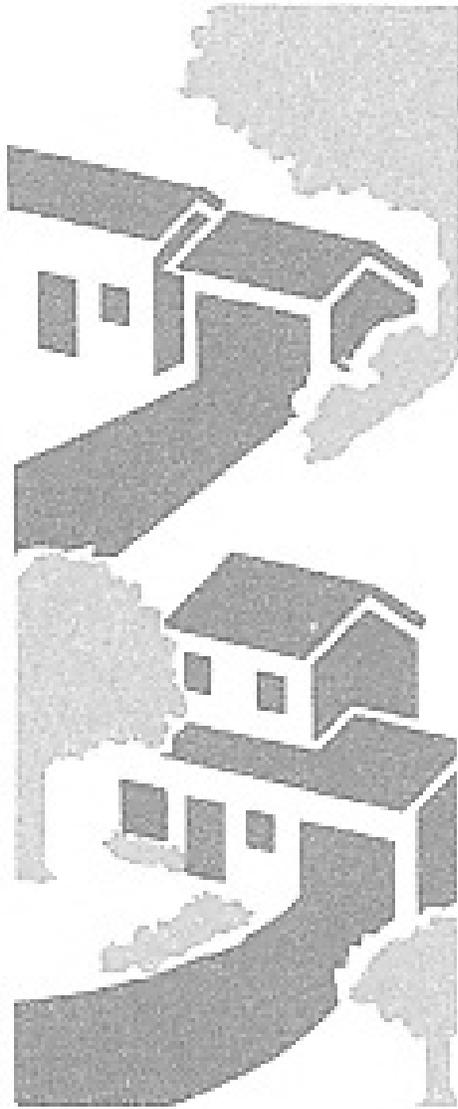


Triunfo Sanitation District

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2018 and June 30, 2017



Basic Financial Statements

**TRIUNFO SANITATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND JUNE 30, 2017**

ASSETS		2018	2017
Current assets:			
Cash and cash equivalents	(Note B1)	\$ 11,968,768	\$ 8,865,096
Accrued interest receivable		69,983	25,557
Accounts receivable – water sales and services, net	(Note B3)	988,422	928,514
Accounts receivable – sanitation fees	(Note B3)	244,204	278,472
Accounts receivable – other	(Note B3)	66,032	7,078
Advance deposits – investment-in-joint venture LVMWD/TSD	(Note B5)	2,455,173	3,324,675
Water-in-storage inventory		22,038	19,870
Prepaid and other		55,838	99,426
Total current assets – unrestricted		<u>15,870,458</u>	<u>13,548,688</u>
Restricted current assets:			
Cash and cash equivalents	(Note B2)	1,349,030	1,376,806
Total current assets – restricted		<u>1,349,030</u>	<u>1,376,806</u>
Total current assets – unrestricted and restricted		<u>17,219,488</u>	<u>14,925,494</u>
Non-current assets			
Capital assets, net	(Note B4)	38,796,500	40,191,465
Investment-in-joint venture LVMWD/TSD	(Note B5)	30,611,211	30,603,461
Total non-current assets		<u>69,407,711</u>	<u>70,794,926</u>
Total assets		<u>86,627,199</u>	<u>85,720,420</u>
LIABILITIES			
Current liabilities:			
Payable from current assets:			
Accounts payable and accrued expenses		1,690,195	1,648,024
Accrued interest payable – loan		243,176	256,814
Loans payable – current portion	(Note B6)	1,134,068	1,095,272
Developer refund agreements – current portion	(Note B6)	27,254	27,254
Payable from current assets – unrestricted		<u>3,094,693</u>	<u>3,027,364</u>
Payable from restricted current assets:			
Customer deposits		47,690	42,121
Unearned revenue		656,948	666,373
Payable from restricted current assets		<u>704,638</u>	<u>708,494</u>
Total current liabilities – unrestricted and restricted		<u>3,799,331</u>	<u>3,735,858</u>
Non-current liabilities:			
Loans payable	(Note B6)	17,745,799	18,879,867
Developer refund agreements	(Note B6)	361,094	388,347
Total non-current liabilities		<u>18,106,893</u>	<u>19,268,214</u>
Total liabilities		<u>21,906,224</u>	<u>23,004,072</u>
NET POSITION			
Net investment in capital assets	(Note B7)	50,139,496	50,404,186
Restricted:			
Conifer loan reserve requirement	(Note B7)	602,000	602,000
Escrow funds	(Note B7)	42,392	66,312
Unrestricted		13,937,087	11,643,850
Total net position		<u>\$ 64,720,975</u>	<u>\$ 62,716,348</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, 2018 AND JUNE 30, 2017**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Sanitation fees	\$ 8,253,307	\$ 7,657,139
Potable water sales	6,149,583	4,575,323
Recycled water sales	2,575,319	2,406,038
Water meter service fees	2,034,687	1,679,051
Connection fees	91,279	138,650
Other charges for services	123,579	130,487
Total operating revenues	<u>19,227,754</u>	<u>16,586,688</u>
Operating expenses:		
Wastewater treatment	4,309,990	4,058,695
Potable water purchased	3,366,431	2,961,082
Recycled water purchased	716,702	1,629,682
Professional services	103,494	230,423
Management and administrative	5,071,651	4,249,750
Total operating expenses	<u>13,568,268</u>	<u>13,129,632</u>
Operating income before depreciation	5,659,486	3,457,056
Depreciation and amortization	<u>(1,563,459)</u>	<u>(1,271,388)</u>
Operating income	<u>4,096,027</u>	<u>2,185,668</u>
Non-operating revenue(expense)		
Change in investment-in-joint venture LVMWD/TSD (Note B5)	(1,744,428)	(1,874,056)
Rental revenue - cellular antennas	175,394	111,672
Interest and investment earnings	160,050	50,628
Interest expense	(684,922)	(444,335)
Other income(expenses), net	2,506	7,249
Total non-operating revenue(expenses), net	<u>(2,091,400)</u>	<u>(2,148,842)</u>
Change in net position	2,004,627	36,826
Net position, beginning of fiscal year	<u>62,716,348</u>	<u>62,679,522</u>
Net position, end of fiscal year	<u>\$ 64,720,975</u>	<u>\$ 62,716,348</u>

See accompanying notes to the financial statements.

**TRIUNFO SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers for water sales and services	\$ 10,787,104	\$ 8,589,925
Receipts from customers for sanitation services	8,287,575	7,579,192
Receipts for other services	64,625	160,912
Payments to vendors for materials and services	(13,484,677)	(13,002,977)
Advance deposits – investment-in-joint venture LVMWD/TSD facility	(882,676)	(2,386,436)
Net cash provided by operating activities	<u>4,771,951</u>	<u>940,616</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(168,494)	(11,846,931)
Capital contributions	-	10,137,035
Proceeds from capital debt	-	11,725,000
Principal and interest paid on long-term debt	(1,821,085)	(10,931,018)
Net cash used in capital and related financing activities	<u>(1,989,579)</u>	<u>(915,914)</u>
Cash flows from non-capital financing activities:		
Insurance claim reimbursement	2,506	7,249
Net cash provided by non-capital financing activities	<u>2,506</u>	<u>7,249</u>
Cash flows from investing activities:		
Proceeds from rental revenue - cellular antennas	175,394	111,672
Proceeds from interest and investment earnings	115,624	46,038
Net cash provided by investing activities	<u>291,018</u>	<u>157,710</u>
Net increase in cash and cash equivalents	3,075,896	189,661
Cash and cash equivalents (unrestricted and restricted), beginning of fiscal year	<u>10,241,902</u>	<u>10,052,241</u>
Cash and cash equivalents (unrestricted and restricted), end of fiscal year	\$ <u>13,317,798</u>	\$ <u>10,241,902</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 11,968,768	\$ 8,865,096
Restricted cash and cash equivalents	<u>1,349,030</u>	<u>1,376,806</u>
Total cash and cash equivalents	\$ <u>13,317,798</u>	\$ <u>10,241,902</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>4,096,027</u>	\$ <u>2,185,668</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,563,459	1,271,388
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(59,908)	(203,913)
Accounts receivable – sanitation fees	34,268	(77,946)
Accounts receivable – other, net	(58,954)	30,425
Water-in-storage inventory	(2,168)	(2,818)
Prepaid and other	43,588	(66,914)
Advance deposits – investment-in-joint venture LVMWD/TSD facility	(882,676)	(2,386,436)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	42,171	196,386
Customer deposits	(3,856)	(5,224)
Total adjustments	<u>675,924</u>	<u>(1,245,052)</u>
Net cash provided by operating activities	\$ <u>4,771,951</u>	\$ <u>940,616</u>
Schedule of noncash transactions:		
Accrued capitalized interest, net	\$ (201,159)	\$ (187,521)
Change in investment-in-joint venture LVMWD/TSD	\$ (1,744,428)	\$ (1,874,056)

See accompanying notes to the financial statements.