

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019  
(With comparative data for prior year)

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Reporting Entity

Triunfo Water & 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 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 generally accepted accounting principles. 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.

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019  
(With comparative data for prior year)

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 Water & 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 generally accepted accounting principles (GASBS No. 34, as amended by GASBS No. 63). These statements 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.

GASBS 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. GASBS 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.

## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

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#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 as well as potable and reclaimed water customers of the District.

**Advance deposits – investment-in-joint venture LVMWD/TSD** – 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, 2020 and 2019 were \$1,337,855 and \$1,077,498 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, 2020 and 2019 were \$88,284 and \$79,255 respectively.

**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, 2020 and 2019 were \$3,187,165 and \$2,532,045 respectively.

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4. Assets, Liabilities, and Net Position (Continued)

**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 reflect 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. 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 (1/40) of the total agreement amount with no interest accruing or paid.

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4. Assets, Liabilities, and Net Position (Continued)

**Customer deposits** – Deposits are required on all new water 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. A Project Completion Deposit (PCD) is required for sewer connection and tenant improvement projects that need a final audit or inspection by District staff. The PCD shall be refunded upon final completion and final inspection of the project, less any applicable charges.

**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. In March 2014, one lot was connected to the sewer decreasing unearned revenue by 1.42% to \$656,948. The TSD Board accepted the completed sewer laterals and improvements as part of the District's sewer system. At June 30, 2020 and 2019, the balances related to the connections was \$603,200. An additional, unrelated amount of \$4,690 for prepayment of cell site lease is included in the statement of net position at June 30, 2020.

**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 position 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.

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

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### B. DETAILED NOTES

#### 1. Cash and Investments

Generally accepted accounting principles adopted by the District require that certain investments and external investment pools be reported at fair 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,853,421	\$ 11,371,097
Restricted cash and cash equivalents	<u>1,302,725</u>	<u>1,276,040</u>
Total Cash and Investments	<u>\$ 15,156,146</u>	<u>\$ 12,647,137</u>

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents		
Local Agency Investment Fund (LAIF)	\$ 13,418,508	\$ 10,875,116
Ventura County Treasury Pool	1,158,459	1,132,273
City National Bank	<u>579,179</u>	<u>639,748</u>
Total Cash and Cash Equivalents	<u>\$ 15,156,146</u>	<u>\$ 12,647,137</u>

At June 30, 2020, and 2019, the carrying amount of cash in bank deposits was \$579,179 and \$639,748 respectively. All deposits are insured or collateralized.

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

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### B. DETAILED NOTES (Continued)

#### 1. Cash and Investments (Continued)

##### *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.

<u>Authorized Investment Types</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
LAIF	N/A	None	\$75 million
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.

##### ***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. LAIF and the Ventura County Pool are both not rated by a rating agency. In addition, neither has a minimum legal rating.

##### ***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.

## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

#### B. DETAILED NOTES (Continued)

##### 1. Cash and Investments (Continued)

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:

<b>Investments at June 30, 2020:</b>	Fair Value	<b>Remaining Maturity (In Months)</b>
<u>Investment Type</u>	<u>Total</u>	<u>12 Month or Less</u>
Local Agency Investment Fund (LAIF)	\$ 13,418,508	\$ 13,418,508
Ventura County Treasury Pool	1,158,459	1,158,459
Total	<u>\$ 14,576,967</u>	<u>\$ 14,576,967</u>

  

<b>Investments at June 30, 2019:</b>	Fair Value	<b>Remaining Maturity (In Months)</b>
<u>Investment Type</u>	<u>Total</u>	<u>12 Month or Less</u>
Local Agency Investment Fund (LAIF)	\$ 10,875,116	\$ 10,875,116
Ventura County Treasury Pool	1,132,273	1,132,273
Total	<u>\$ 12,007,389</u>	<u>\$ 12,007,389</u>

#### ***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 does not have any investments subject to the fair value hierarchy at June 30, 2020 or 2019.



# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

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### B. DETAILED NOTES (Continued)

#### 1. Cash and Investments (Continued)

##### *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, 2020 and 2019.

##### *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 Water & 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. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). As of June 30, 2020, all of the District's deposits with financial institutions in excess of federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law.

## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

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#### B. DETAILED NOTES (Continued)

##### 1. Cash and Investments (Continued)

###### *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 deposits in the fund are considered highly liquid.

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

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### B. DETAILED NOTES (Continued)

#### 1. Cash and Investments (Continued)

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 amounts invested in the California LAIF are not subject to categorization as they do not represent specifically identifiable investment securities. The share value of the District's investment in LAIF is \$13,418,508 and \$10,875,116 at June 30, 2020 and 2019, respectively.

#### 2. Restricted Assets

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents restricted for:		
Customer deposits	\$ 92,835	\$ 70,840
Unearned revenue	607,890	603,200
Conifer loan reserve requirement	<u>602,000</u>	<u>602,000</u>
Total restricted cash and cash equivalents	<u>\$ 1,302,725</u>	<u>\$ 1,276,040</u>

#### 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 \$7,114 and \$8,360 at June 30, 2020 and 2019, 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. Receivable amounts are shown net without an allowance for uncollectible accounts because all are deemed collectable.

**TRIUNFO WATER & SANITATION DISTRICT**

**Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and June 30, 2019  
(With comparative data for prior year)**

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**B. DETAILED NOTES (Continued)**

**3. Accounts Receivable(Continued)**

Other receivables, Property damage claims include \$19,270 awarded by FEMA for administrative costs related to - Woolsey fire.

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

**June 30, 2020**

<b>Accounts receivable - Trade</b>	<b>Gross</b>	<b>Allowance</b>	<b>Net</b>
Water sales and services	\$ 1,148,057	\$ (11,481)	\$ 1,136,576
Sanitation fees	294,081	-	294,081
Other receivables	19,270	-	19,270
Total accounts receivable	<u>\$ 1,461,408</u>	<u>\$ (11,481)</u>	<u>\$ 1,449,927</u>

**June 30, 2019**

<b>Accounts receivable - Trade</b>	<b>Gross</b>	<b>Allowance</b>	<b>Net</b>
Water sales and services	\$ 835,885	\$ (8,360)	\$ 827,525
Sanitation fees	270,672	-	270,672
Other receivables	492,465	(116,555)	375,910
Total accounts receivable	<u>\$ 1,599,022</u>	<u>\$ (124,915)</u>	<u>\$ 1,474,107</u>

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

### B. DETAILED NOTES (Continued)

#### 4. Capital Assets

Changes to capital assets during fiscal years ended June 30, 2020 and 2019, were as follows:

	Balance June 30, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable assets:				
Land	\$ 71,370	\$ -	\$ -	\$ 71,370
Construction-in-progress	298,762	-	(239,306)	59,456
Total non-depreciation assets	<u>370,132</u>	<u>-</u>	<u>(239,306)</u>	<u>130,826</u>
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collection systems	16,890,421	-	-	16,890,421
Recycled water systems	15,794,331	-	-	15,794,331
Potable water systems	27,513,211	-	-	27,513,211
Other physical property	818,741	-	-	818,741
Total depreciable assets	<u>61,737,538</u>	<u>-</u>	<u>-</u>	<u>61,737,538</u>
Accumulated depreciation:				
Structures and improvements	(264,363)	(18,254)	-	(282,617)
Wastewater collection systems	(10,118,762)	(302,271)	-	(10,421,033)
Recycled water systems	(2,756,117)	(394,199)	-	(3,150,316)
Potable water systems	(11,243,476)	(708,212)	-	(11,951,688)
Other physical property	(460,712)	(82,405)	-	(543,117)
Total accumulated depreciation	<u>(24,843,430)</u>	<u>(1,505,341)</u>	<u>-</u>	<u>(26,348,771)</u>
Total depreciation assets, net	36,894,108	(1,505,341)	-	35,388,767
Total capital assets, net	<u>\$ 37,264,240</u>	<u>\$ (1,505,341)</u>	<u>\$ (239,306)</u>	<u>\$ 35,519,593</u>
	Balance June 30, 2018	Additions	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable assets:				
Land	\$ 71,370	\$ -	\$ -	\$ 71,370
Construction-in-progress	632,743	198,717	(532,698)	298,762
Total non-depreciation assets	<u>704,113</u>	<u>198,717</u>	<u>(532,698)</u>	<u>370,132</u>
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collection systems	16,890,421	-	-	16,890,421
Recycled water systems	15,703,087	-	91,244	15,794,331
Potable water systems	27,513,211	-	-	27,513,211
Other physical property	581,465	-	237,276	818,741
Total depreciable assets	<u>61,409,018</u>	<u>-</u>	<u>328,520</u>	<u>61,737,538</u>
Accumulated depreciation:				
Structures and improvements	(246,107)	(18,256)	-	(264,363)
Wastewater collection systems	(9,816,491)	(302,271)	-	(10,118,762)
Recycled water systems	(2,362,678)	(393,439)	-	(2,756,117)
Potable water systems	(10,513,047)	(730,429)	-	(11,243,476)
Other physical property	(378,308)	(82,404)	-	(460,712)
Total accumulated depreciation	<u>(23,316,631)</u>	<u>(1,526,799)</u>	<u>-</u>	<u>(24,843,430)</u>
Total depreciation assets, net	38,092,387	(1,526,799)	328,520	36,894,108
Total capital assets, net	<u>\$ 38,796,500</u>	<u>\$ (1,328,082)</u>	<u>\$ (204,178)</u>	<u>\$ 37,264,240</u>

## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

## B. DETAILED NOTES (Continued)

### 4. Capital Assets (Continued)

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:

<u>Construction Projects</u>	<u>2020</u>	<u>2019</u>
Lakeside Lift Station Improvements	\$ 45,685	\$ 45,685
North Shore Gravity System - WW	-	239,306
Polo Lift Station	13,771	13,771
<b>Total</b>	<u>\$ 59,456</u>	<u>\$ 298,762</u>

### 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. Equipment costs and contributions for 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, 2020 and June 30, 2019:

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets:			
Current assets	\$ 13,990	\$ 10,510	\$ 3,480
Capital assets, net	97,127	93,680	3,447
<b>Total assets</b>	<u>111,117</u>	<u>104,190</u>	<u>6,927</u>
Liabilities:			
Current liabilities	13,993	10,510	3,483
<b>Total liabilities</b>	<u>13,993</u>	<u>10,510</u>	<u>3,483</u>
Net position of participants net investment in capital assets:			
Las Virgenes Municipal Water District	64,830	62,373	2,457
Triunfo Sanitation District	32,294	31,307	987
<b>Net position</b>	<u>\$ 97,124</u>	<u>\$ 93,680</u>	<u>\$ 3,444</u>

## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

#### B. DETAILED NOTES (Continued)

##### 5. Joint Venture (Continued)

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

	2020	2019	Change
Revenues:			
Operating revenues	\$ 2,444	\$ 2,115	\$ 329
Non-operating revenues	3,070	163	2,907
<b>Total revenues</b>	<u>5,514</u>	<u>2,278</u>	<u>3,236</u>
Expenses:			
Operating expenses	18,559	15,990	2,569
Non-operating expenses	-	2	(2)
Depreciation and amortization	5,624	5,721	(97)
<b>Total expenses</b>	<u>24,183</u>	<u>21,713</u>	<u>2,470</u>
<b>Net loss before participant contributions</b>	(18,669)	(19,435)	766
Billings to participants	13,041	13,711	(670)
Excess after billings to participants	(5,628)	(5,724)	96
Participants capital contributions	9,072	8,229	843
<b>Change in Net Position</b>	3,444	2,505	939
<b>Beginning Net Position</b>	<u>93,680</u>	<u>91,175</u>	<u>2,505</u>
<b>Ending Net Position</b>	<u>\$ 97,124</u>	<u>\$ 93,680</u>	<u>\$ 3,444</u>

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 Water & Sanitation District  
1001 Partridge Drive, Suite 150  
Ventura, California 93003

## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

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#### B. DETAILED NOTES (Continued)

##### 5. Joint Venture (Continued)

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:

<u>TSD Joint Venture Advances</u>	<u>2020</u>	<u>2019</u>
Operating reserve advance	\$ 1,114,683	\$ 1,077,498
Construction advance	82,548	79,255
Replacement reserve advance	3,819,323	2,532,045
<b>Total joint venture advances</b>	<b>\$ 5,016,554</b>	<b>\$ 3,688,798</b>

##### 6. Long Term Obligations

###### *Direct Borrowings:*

###### ***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. The Installment Purchase Agreement contains a provision that in the event of default, the Lender may by notice in writing to the District, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately.



## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

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#### B. DETAILED NOTES (Continued)

##### 6. Long Term Obligations (Continued)

###### ***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. The Installment Purchase Agreement contains a provision that in the event of default, the Lender may by notice in writing to the District, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately.

###### ***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 Installment Purchase Agreement contains a provision that in the event of default, the Lender may by notice in writing to the District, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately.

**TRIUNFO WATER & SANITATION DISTRICT**

**Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and June 30, 2019  
(With comparative data for prior year)**

**B. DETAILED NOTES (Continued)**

**6. Long Term Obligations (Continued)**

The following table summarizes the District's debt at June 30, 2020:

Description	Balance June 30, 2019	Additions	Payments/ Deletions	Balance June 30, 2020	Amounts Due in One Year
Direct Borrowings:					
2017 RW System Purchase	\$ 10,447,018	\$ -	\$ (667,941)	\$ 9,779,077	\$ 688,046
2014 Automated Meter Read Loan	1,821,598	-	(156,961)	1,664,637	162,087
2011 Construction loan	5,477,183	-	(349,424)	5,127,759	365,969
Total long-term debt	17,745,799	\$ -	\$ (1,174,326)	16,571,473	\$ 1,216,102
Less current portion	(1,174,326)			(1,216,102)	
Total long-term portion	\$ 16,571,473			\$ 15,355,371	

The following table summarizes the District's debt at June 30, 2019:

Description	Balance June 30, 2018	Additions	Payments/ Deletions	Balance June 30, 2019	Amounts Due in One Year
Direct Borrowings:					
2017 RW System Purchase	\$ 11,095,462	\$ -	\$ (648,444)	\$ 10,447,018	\$ 667,941
2014 Automated Meter Read Loan	1,973,594	-	(151,996)	1,821,598	156,961
2011 Construction loan	5,810,811	-	(333,628)	5,477,183	349,424
Total long-term debt	18,879,867	\$ -	\$ (1,134,068)	17,745,799	\$ 1,174,326
Less current portion	(1,134,068)			(1,174,326)	
Total long-term portion	\$ 17,745,799			\$ 16,571,473	

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

Direct Borrowings			
Fiscal Years Ending June 30,	Principal	Interest	Total
2021	\$ 1,216,102	\$ 577,730	\$ 1,793,832
2022	1,259,459	534,373	1,793,832
2023	1,304,456	489,375	1,793,831
2024	1,351,165	442,668	1,793,833
2025	1,399,649	394,183	1,793,832
2026-2030	7,576,443	1,177,999	8,754,442
2031-2032	2,464,199	92,312	2,556,511
Total	16,571,473	3,708,640	20,280,113
Less current portion	(1,216,102)	(577,730)	(1,793,832)
Total non-current	\$ 15,355,371	\$ 3,130,910	\$ 18,486,281

**TRIUNFO WATER & SANITATION DISTRICT**

**Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and June 30, 2019  
(With comparative data for prior year)**

**B. DETAILED NOTES (Continued)**

**6. Long Term Obligations (Continued)**

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, 2020:

<u>Developer/Tract</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due in One Year</u>
CalProp/4315	\$ 48,672	\$ -	\$ (3,744)	\$ 44,928	\$ 3,744
Grupe/3984	32,048	-	(4,930)	27,118	4,930
Morrison/4071	165,718	-	(11,835)	153,883	11,835
Warmington/4474	114,656	-	(6,745)	107,911	6,745
Total developer refunds	361,094	\$ -	\$ (27,254)	333,840	\$ 27,254
Less current portion	(27,254)			(27,254)	
Total long-term portion	<u>\$ 333,840</u>			<u>\$ 306,586</u>	

The following summarizes the District's Developer Refund Agreement obligations at June 30, 2019:

<u>Developer/Tract</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due in One Year</u>
CalProp/4315	\$ 52,416	\$ -	\$ (3,744)	\$ 48,672	\$ 3,744
Grupe/3984	36,978	-	(4,930)	32,048	4,930
Morrison/4071	177,553	-	(11,835)	165,718	11,835
Warmington/4474	121,401	-	(6,745)	114,656	6,745
Total developer refunds	388,348	\$ -	\$ (27,254)	361,094	\$ 27,254
Less current portion	(27,254)			(27,254)	
Total long-term portion	<u>\$ 361,094</u>			<u>\$ 333,840</u>	

**TRIUNFO WATER & SANITATION DISTRICT**

**Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and June 30, 2019  
(With comparative data for prior year)**

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**B. DETAILED NOTES (Continued)**

**6. Long Term Obligations (Continued)**

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

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Principal</u>
2021	\$ 27,254
2022	27,254
2023	27,254
2024	27,254
2025	27,254
2026-2030	114,083
2031-2035	76,742
2035	6,745
Total	<u>333,840</u>
Less current portion	<u>(27,254)</u>
Total non-current	<u>\$ 306,586</u>

**7. Net Position**

The following is the detail of net position:

The balance at June 30, consisted of the following:

	<u>2020</u>	<u>2019</u>
Capital assets, net	\$ 35,519,593	\$ 37,264,240
Portion of loans payable used to purchase capital assets	(16,571,473)	(17,745,799)
Developer refund agreements	(333,840)	(361,094)
Total net investment in capital assets	<u>\$ 18,614,280</u>	<u>\$ 19,157,347</u>

Restricted for:

	<u>2020</u>	<u>2019</u>
Loan reserve requirement	\$ 602,000	\$ 602,000
Total restricted	<u>\$ 602,000</u>	<u>\$ 602,000</u>

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

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### B. DETAILED NOTES (Continued)

#### 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 2020 was \$4,534,375 and \$5,352,043 in fiscal year 2019. There were no major projects in fiscal year 2020 which resulted in a decrease of approximately \$1million can be attributed to:

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. The District has the right to evaluate the performance of VRSD's services under the agreement. The current contract expires on June 30, 2026. 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

#### **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The following is how these risks are addressed.

#### ***Liability and Worker's Compensation Insurance***

The District's liability and workers' compensation coverage is provided through California Sanitation Risk Management Authority (CSRMA). CSRMA is a joint powers authority (JPA) created to provide 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.

# TRIUNFO WATER & SANITATION DISTRICT

## Notes to the Financial Statements For the Fiscal Years Ended June 30, 2020 and June 30, 2019 (With comparative data for prior year)

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### C. OTHER INFORMATION (Continued)

#### 1. Risk Management (Continued)

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, 11<sup>th</sup> Floor  
San Francisco, California 94111-5101

#### ***Property Insurance***

The District has property insurance coverage with Hanover Insurance Group through Tolman & Wiker Insurance Service LLC, for the following properties located within the unincorporated areas of Oak Park and Lake Sherwood in the City of Thousand Oaks, California:

• Pump Station (4 pump)	\$777,242
• Sherwood RW System (pipeline/meters)	\$2,232,227
• 1.8 MG Reservoir	\$2,057,417
• Oak Park/North Ranch RW System	\$6,553,114
• SCADA System	\$105,000

#### ***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 Allied World Assurance Company/Joint Powers Risk and Insurance Management Authority, for general liability, property, inverse condemnation, auto and physical damage. The coverage for the general liability provides \$11 million per occurrence and \$20 million in the aggregate with a \$100,000 deductible per occurrence. The coverage for the property provides \$61 million of coverage with a deductible of \$100,000 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, 2020 and 2019.

## TRIUNFO WATER & SANITATION DISTRICT

### Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2020 and June 30, 2019

(With comparative data for prior year)

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#### C. OTHER INFORMATION (Continued)

##### 2. Commitments and Contingencies

The District had contractual commitments with outside firms for engineering, consulting, or other various supplies and services totaling approximately \$21,920 and \$60,986 in fiscal years 2020 and 2019, 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

On January 1, 2021, the Calleguas Municipal Water District (CMWD) increased the wholesale potable water rate charge to the District by 2.38% which directly impacts recycled water costs as well. CMWD's increase results in a pass through rate increase to the District's water customers to cover CMWD's increase as follows:

- Potable water tiered rates by eight cents per hundred cubic feet (\$0.08/HCF)
- Recycled water retail rates by seventeen cents per hundred cubic feet (\$0.3/HCF)
- Recycled water wholesale rate by thirty-nine dollars and twenty cents per acre foot (\$28/AF)

The District's water rate increases are effective January 1, 2021.

**TRIUNFO WATER & SANITATION DISTRICT**

**Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2020 and June 30, 2019  
(With comparative data for prior year)**

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**D. FUTURE ACCOUNTING PRONOUNCEMENTS**

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

<i>Statement No. 84</i>	“Fiduciary Activities”	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
<i>Statement No. 87</i>	“Leases”	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
<i>Statement No. 89</i>	“Accounting for Interest Cost Incurred before the End of a Construction Period”	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
<i>Statement No. 90</i>	“Majority Equity Interests an Amendment of GASB Statement No. 14 & No. 61”	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
<i>Statement No. 91</i>	“Conduit Debt Obligations”	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
<i>Statement No. 92</i>	“Omnibus 2017”	The provisions of this statement are effective for the earliest period beginning after June 15, 2021.
<i>Statement No. 93</i>	“Replacement of Interbank Offered Rates”	The provisions of this statement are effective for periods beginning after June 15, 2021.
<i>Statement No. 94</i>	“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”	The provisions of this statement are effective for periods beginning after June 15, 2022.
<i>Statement No. 96</i>	“Subscription Based IT Arrangements”	The provisions of this statement are effective for periods beginning after June 15, 2022.
<i>Statement No. 97</i>	“Certain CU Criteria and Accounting and reporting for IRS Code 457 Deferred Comp Plans”	The provisions of this statement are effective for periods beginning after June 15, 2021.