

Triunfo Sanitation District

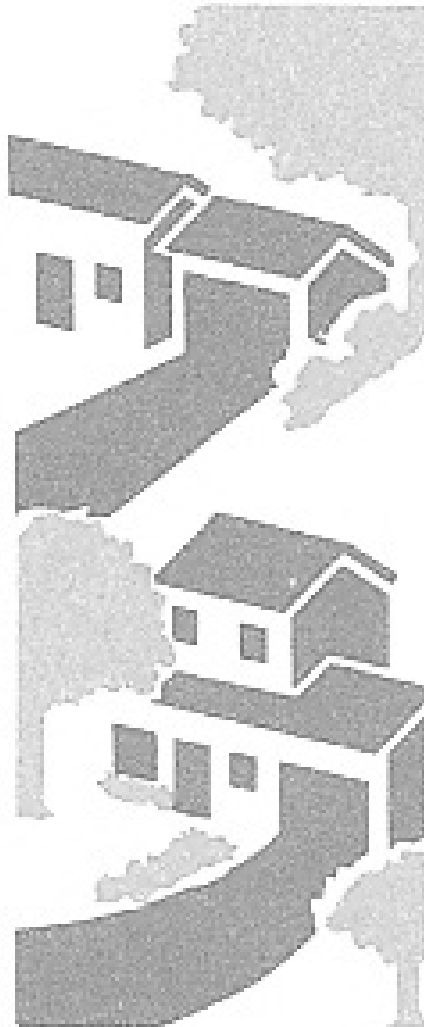
Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2019 and June 30, 2018**



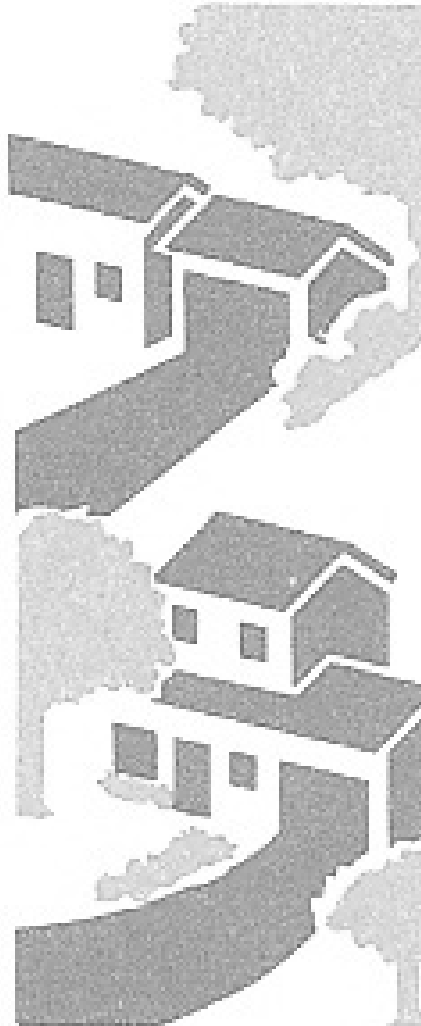
Mark Norris, General Manager

Ventura County, California



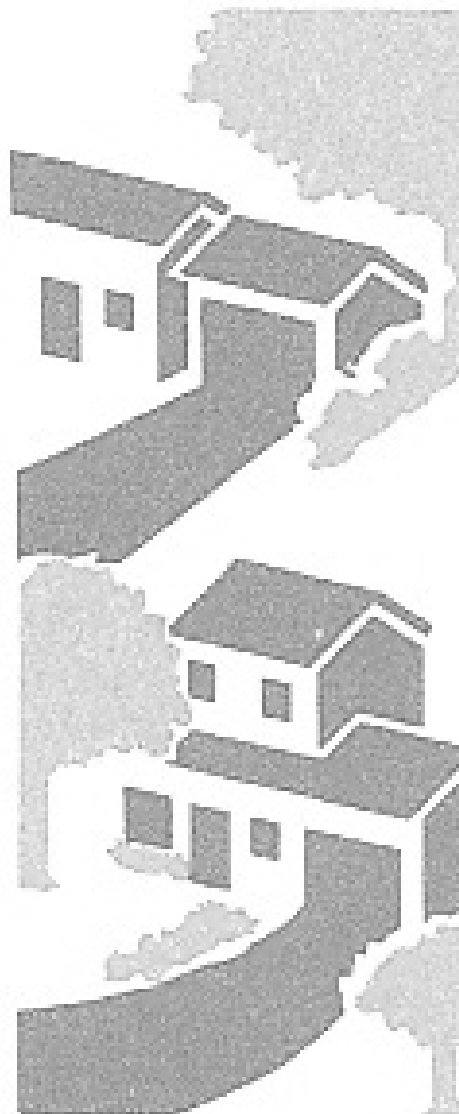
Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2019 and June 30, 2018**



Triunfo Sanitation District **Ventura County, California**

Prepared by Contract Staff of the Ventura Regional Sanitation District
Finance Department
Alvertina Rivera, Director of Finance



TRIUNFO SANITATION DISTRICT
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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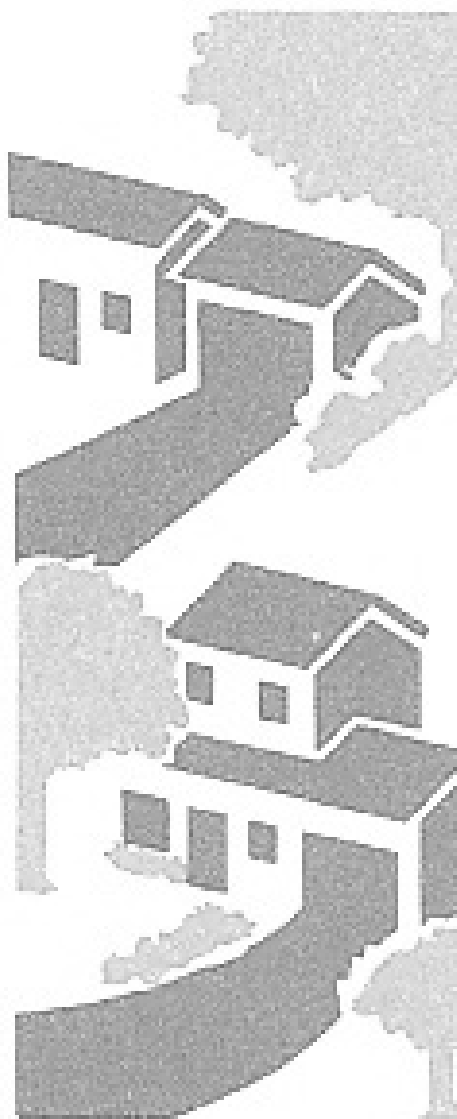
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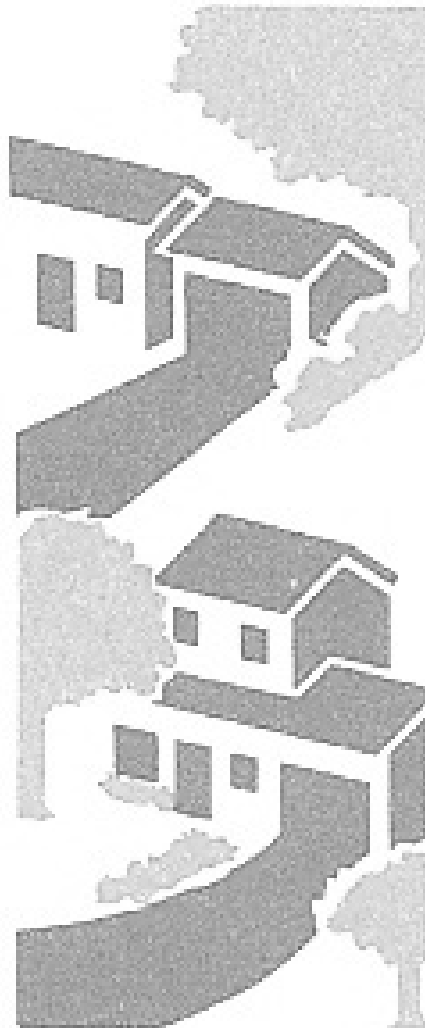
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Introductory Section



Triunfo Sanitation District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
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Providing Outstanding Service Since 1963

Board of Directors

Janna Orkney, Chair

Susan Pan, Vice Chair

Leon Shapiro, Director

Raymond Tjulander, Director

James Wall, Director

December 16, 2019

Honorable Board of Directors
Triunfo Water & Sanitation District
Ventura County, California

Members of the Board of Directors:

The Comprehensive Annual Financial Report of the Triunfo Sanitation District (District) as of and for the fiscal years ended June 30, 2019 and June 30, 2018; is hereby submitted. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

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

Moss, Levy, Hartzheim, LLP, has issued an unmodified ("clean") opinion on the District's financial statements for the fiscal years ended June 30, 2019 and June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF TRIUNFO

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

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

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

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

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

District staff is provided entirely by contract with Mark Norris for the position of General Manager and the Ventura Regional Sanitation District (VRSD) for all other positions. In fiscal year 2019, this support consists of approximately eighteen (17.72) full-time equivalent positions made up of the part-time efforts of more than forty-seven (47) individuals in ten (10) different areas of expertise.

Administration – The five directly elected Board members at-large are employees of the District. In addition, the District contracts with Mark Norris and VRSD for all of its management, financial, engineering, maintenance, and operations functions. This arrangement, accomplished through a long-term reimbursable contract, allows the District to draw from a pool of sophisticated and technologically capable employees when needed and pay for only the services actually received. On June 4, 2015, a new ten-year contract agreement was entered into between TSD and VRSD. This contract was amended on August 4, 2018 to address various matters pertaining to the TSD General Manager.

Joint Venture – The bulk of the District's sanitation and recycled water activities occur in concert with those of its Joint Venture partner, LVMWD, located in western Los Angeles County. Joint Venture facilities include the Tapia Water Reclamation Facility (Tapia), Rancho Las Virgenes Composting Facility (Rancho), a pumping station and force main that conveys biosolids from Tapia to Rancho, and the portion of the recycled water distribution system which lies within Los Angeles County. A five-year capital improvement plan is in place, and updated at least annually, to maintain these facilities and protect the District's investment in them. Capital improvements are primarily funded through sewer connection fees of \$13,675 per Dwelling Unit.

The District presently owns 29.4% of the Joint Venture wastewater treatment facilities, 44.2% of the land, and 58.4% of the trunk sewers. The District's right to use the facilities is commensurate with its ownership share (29.4%), while recycled water rights are based on actual sewage flows into Tapia. In addition, the District owns 29.4% of the Joint Venture recycled water distribution system.

Tapia Water Reclamation Facility

The Tapia Water Reclamation Facility applies state-of-the-art technology to transform wastewater into high-quality recycled water. It serves residents living across 120 square miles of southeastern Ventura and western Los Angeles Counties. While the current flow to Tapia averages 7.2 million gallons of wastewater per day (mgd), the District flow averages about 2.15 mgd, representing 30% of the total. Tapia is potentially capable of treating up to 16 mgd.

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

Tapia has been honored with numerous awards, including:

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

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

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

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

In fiscal year 2019, the District paid \$116,353 in capacity and treatment costs to the City and County of Los Angeles. In addition, the District paid \$84,139 toward the Tillman plant expansion. Future capital improvements for this facility are primarily funded through sewer connection fees ranging from \$2,975 to \$13,675 based on parcel identification in the Bell Canyon Sewer Assessment District No. 85-1 assessment area.

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

Triunfo Recycled Water – The District provides recycled water treated at Tapia via the Joint Venture through two pipelines to the communities of Oak Park, Lake Sherwood and North Ranch. District recycled water sales were \$2,176,845 and \$2,575,319 in fiscal year 2019 and fiscal year 2018, respectively. The recycled water from Tapia travels through 5.4 miles of District retail recycled water lines to irrigate 7 parks, 6 schools, 1 golf course, 15 acres of landscaping and medians, and 16 homeowners associations. In hot summer months, local irrigation consumes all of the recycled water Tapia produces.

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

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

In 2017, Triunfo purchased the recycled water (RW) system from Calleguas Municipal Water District (Calleguas). The purchase of the RW system (at a cost of approximately \$12 million dollars) terminated the recycled water purchase agreement between Triunfo and Calleguas which allowed Triunfo to wholesale the RW to Hidden Valley and CalWater. The RW system includes 10 miles of pipeline (ranging from 4-18 inches), a 1.8 million gallon storage reservoir (Oak Park Reservoir), and a 5 million gallon per day pump station (Oak Park Pump Station). The RW system serves the communities of Oak Park, North Ranch, Lake Sherwood, and portions of Thousand Oaks.

The District also supported the Las Virgenes–Triunfo Joint Powers Authority in an extensive stakeholder-driven process to identify the best means to maximize the beneficial reuse of treated effluent from the Tapia Water Reclamation Facility. Following two years of study and community stakeholder input that focused on how to best manage discharge from the Tapia Water Reclamation Facility to Malibu Creek, the Pure Water Project Las Virgenes-Triunfo emerged as a preferred alternative to meet the goal, while also providing a local source of potable water. The Pure Water Project will take surplus recycled water from the Tapia Water Reclamation Facility and further treat it to better than drinking water standards. The treated water will be mixed with imported water stored in Las Virgenes Reservoir until needed. At that time, the water will be treated again prior to use in the potable water system.

Triunfo Potable Water – The District provides potable water service to the community of Oak Park which is mostly residential and is located at the eastern edge of Ventura County. The 2010 United States Census Bureau data indicates Oak Park has a population of approximately 13,811 with a median household income of \$121,348.

The District receives its potable water supply from the Metropolitan Water District of Southern California which is imported from the Sacramento Delta through Calleguas Municipal Water District, the regional water wholesale agency.

Residential customers make up approximately 94% (number of metered connections) of the District's customer base and consumed approximately 89% of the potable water provided annually by the District. The remaining 11% was consumed by commercial customers. Potable water deliveries in fiscal year 2019

were 1,959 acre-feet compared to 2,167 acre-feet in fiscal year 2018. These deliveries provided income of \$5,790,358 and \$6,149,583 respectively.

The District's water tank sites have proven useful to cellular communication companies. Five leases were in place at the end of the fiscal year. Collectively, cellular service companies provided income of \$171,925 for fiscal year 2019 and \$175,394 for fiscal year 2018.

Economic Condition and Outlook

Local Economy

Ventura County – Located directly northwest of Los Angeles County, Ventura County covers 1,843 square miles and boasts 43 miles of Pacific Ocean coastline, 7.5 miles of shoreline in public beaches, and 411 acres in state beach parks. The majority of the County's 856,598 residents live in its southern half, while the Los Padres National Forest spans the northern half. An extensive network of roadways links the County's 10 incorporated cities, with rail, harbor, and airport facilities providing access to outside markets. The outlook for the Ventura County economy remains similar to 2018, and is predictably restrained. The total value of the region's output continues to rise, as there are companies within the County that still need to expand their workforces, and incomes rise more convincingly due to the tight labor market for workers. Agricultural and manufacturing output contribute to positive economic growth in 2019. Providing that companies can fill open positions for employment in Ventura County, growth in 2019 will likely exceed forecasts. Open job positions in California (and the nation) are a circumstance that companies now endure since the economy has reached full employment.

Agriculture - Ventura County farmers grow over 100 different crops and often harvest two or three crops from the same parcel of land during any given year. In 2018, the estimated gross value for all agriculture in Ventura County was \$2.1 billion decreasing by 0.2% from 2017. Strawberries, lemons, raspberries, nursery stock, and celery are among the five leading crops grown. In 2017, the most recent data available from the California Department of Food and Agriculture, ranks Ventura County 8th among all counties in the California in total crop value.

In December 2017, Ventura County's agricultural industry sustained more than \$170 million in damages from the Thomas Fire. According to Henry Gonzales, the County's agricultural commissioner, the Thomas Fire caused \$171,296,703 in damages to local agriculture and potentially affected 10,289 acres of irrigated crop land. Avocado groves were hit the hardest, with 6,603 acres potentially damaged, followed by lemon growers with 1,767 acres and orange growers at 541 acres. Approximately 4,030 tons of avocados were lost, at an estimated dollar loss of \$10,175,750, followed by lemons, with 7,591 tons lost and an estimated total loss of \$5,814,560 and oranges, with 3,680 tons lost and an estimated total loss of \$3,370,972. These losses will, partially be offset by disaster funds and insurance, but replacement trees require up to 5 years to begin bearing fully, so the impact will be felt in succeeding years as well.

Income and Unemployment – Ventura County's unemployment rate currently sits at 3.6%, the lowest rate recorded since 1990. The unemployment rate in Ventura County has declined continuously from a rate of 9.9 percent in 2012. The types of new job opportunities, however, tend to be in the lower paying sectors, such as healthcare and leisure and hospitality. Leisure and hospitality has the lowest average salary per worker of all sectors of the Ventura County economy. Nevertheless, the construction industry has higher average wages and with more housing and non-residential building, there has been an impressive rise in construction employment over the last few years. The Census ACS 1-year survey reports that the median household income for the Ventura County California area was \$82,857 in 2017, the latest figures available. Ventura County median household income is 13% higher than the median California household income and 27% greater than the US median household income. Median family and per capita income for Ventura County in 2017 was \$36,907, 15% higher than the national average and 5% higher than the California average.

Real Estate –The new housing market within Ventura County will add more units, both single family and apartments. Thomas fire rebuilds will continue, principally in Ventura, for the next two years. Homebuilding will accelerate to 135,000 units this year and nearly 140,000 units next year, the highest level of new housing permits since 2008. The median home sale price is \$697,754 in 2019, a 4.2% increase over the prior year. The median sales price for 2020 is predicted to increase by 6.3% to \$697,754. Non-residential construction has decreased from 2018 when the Conejo Spectrum in Thousand Oaks was completed (508,000sq.ft), but more than 200,000 square feet of space are still under construction, which includes a new helicopter repair facility in Fillmore and a large spec building in Simi Valley.

Long-term Financial Planning

The Pure Water Project will create a new, local, sustainable and drought-proof drinking water supply through the purification of the Las Virgenes – Triunfo Joint Powers Authority (JPA) surplus recycled water. The recycled water will undergo advance treatment, after which it will be stored at the Las Virgenes Reservoir for later use as drinking water. The project would reduce the need to discharge excess recycled water to Malibu Creek and is intended to diversify the region's water supply and reduce dependence on imported water by generating up to 6 million gallons per day of drinking water. The current estimated cost for the project is \$100 million. The District's policy is to increase the potable water and recycled water rates based on the increased rates from Calleguas Municipal Water District. The latest pass through rate increase will be effective January 1, 2020.

Relevant Financial Policies

The Board appointed one of the Board members to perform a monthly review of all invoices paid on their behalf by Ventura Regional Sanitation District. In addition, the Board also appointed two of the elected Board members to be on the Finance Committee to perform review and oversight in regards to financial matters such as the annual audit, proposed budget, and any other financial issues that require review, analysis, and recommendation before going to the full Board.

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

Staff continues to review the Five-Year Capital Improvement Plan (CIP) and makes recommendation to the District Board of any changes during the budget process. The CIP includes evaluation of the current water and wastewater systems, prioritization for acquisition, maintenance, replacement and retirement of capital assets, and recommendation on improving the operation and reliability of the existing systems.

Major Initiatives

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

On July 1, 2019, Triunfo Sanitation District changed its name to Triunfo Water & Sanitation District to better reflect the full scope of the District's services.

Significant Event – Wet Winter

For the first time since 2011, California’s drought condition improved significantly due to a very wet winter across the state. As a result of this rainfall, and following the Governor’s decision to rescind his May 2016 executive order regarding California’s drought, the Board of Directors of Triunfo Sanitation District lifted the Stage 1 Water Restrictions for Oak Park water customers, effective July 1, 2017. Keeping in mind that dry conditions may easily recur, the District’s basic permanent water use restrictions remain in effect.

Significant Event – Woolsey Fire

The Woolsey Fire was a destructive wildfire that burned in Los Angeles and Ventura Counties, having been ignited on November 8, 2018, it burned 96,949 acres of land, destroyed 1,643 structures, killed three people, and prompted the evacuation of more than 295,000 people. At a special meeting on November 14, 2018, the Triunfo Sanitation District board of Directors authorized the District’s General Manager to provide financial relief to water and sewer service customers affected by the fire that burned in and around many sections of TSD’s service area. Water customers received a credit for the amount of water they used for 5 days, during and after the fire. In addition, TSD sewer customers who lost their homes in the fire were issued a refund for 8 months (November to June) of sewer service charges previously assessed on their property tax bills for fiscal year 2019.

Significant Event – Accessory Dwelling Units

In recent years the California legislature passed several laws related to accessory dwelling units (“ADUs”)—often referred to as “granny flats.” The laws are intended to facilitate ADU development in California, and overcome some of the local hurdles property owners experience in ADU construction. As the laws changed, residents of the District showed interest in building ADU’s. In FY2019 the District issued only 4 ADU related Will Serve Letters to customers. This may be more significant in future years.

Awards & Acknowledgements

Excellence in Financial Reporting – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Triunfo Sanitation District for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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



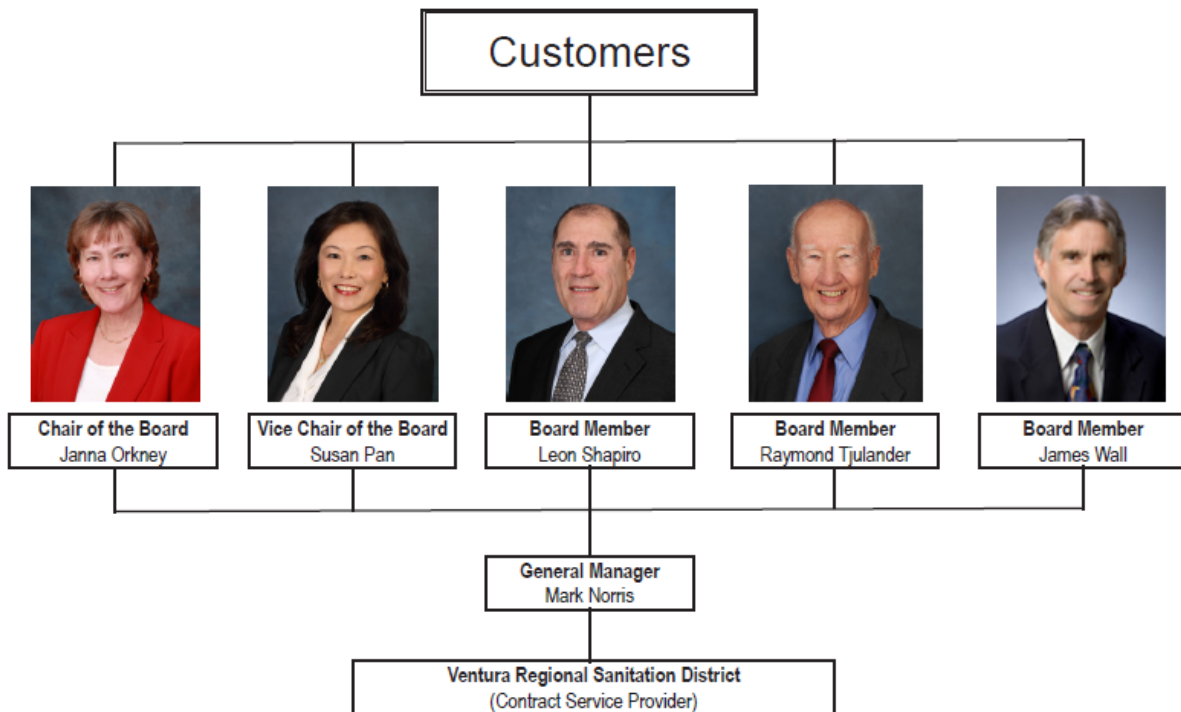
MARK NORRIS
General Manager

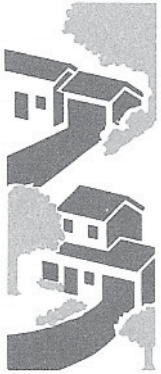


ALVERTINA RIVERA
Director of Finance

TRIUNFO SANITATION DISTRICT

Organization Chart





Triunfo Sanitation District

Ventura County, California

2019 Board of Directors

Janna Orkney	Chair
Susan Pan	Vice-Chair
Leon Shapiro	Member
Raymond Tjulander	Member
James Wall	Member

Contract Staff

Mark Norris	General Manager	(805) 658-4621
Alvertina Rivera	Director of Finance	(805) 658-4646
Matt Baumgardner	Director of Operations	(805) 658-4675
Juliet Rodriquez	Clerk of the Board	(805) 658-4642
John Mathews	Legal Counsel	(805) 988-9886



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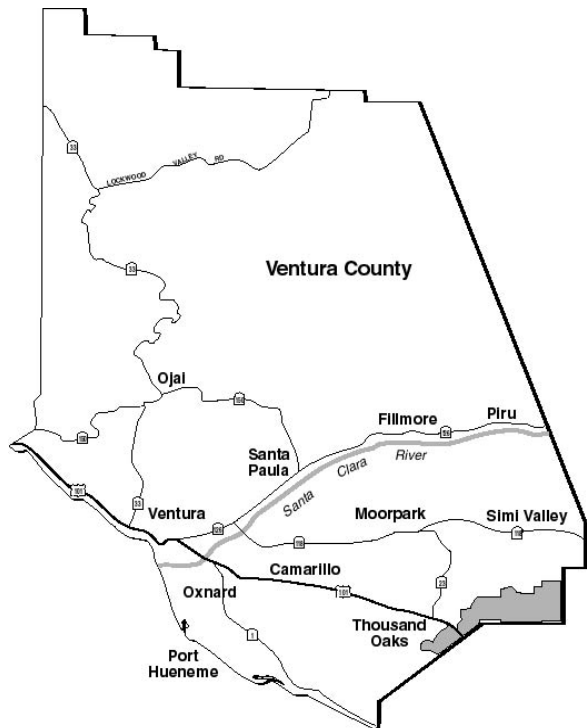
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

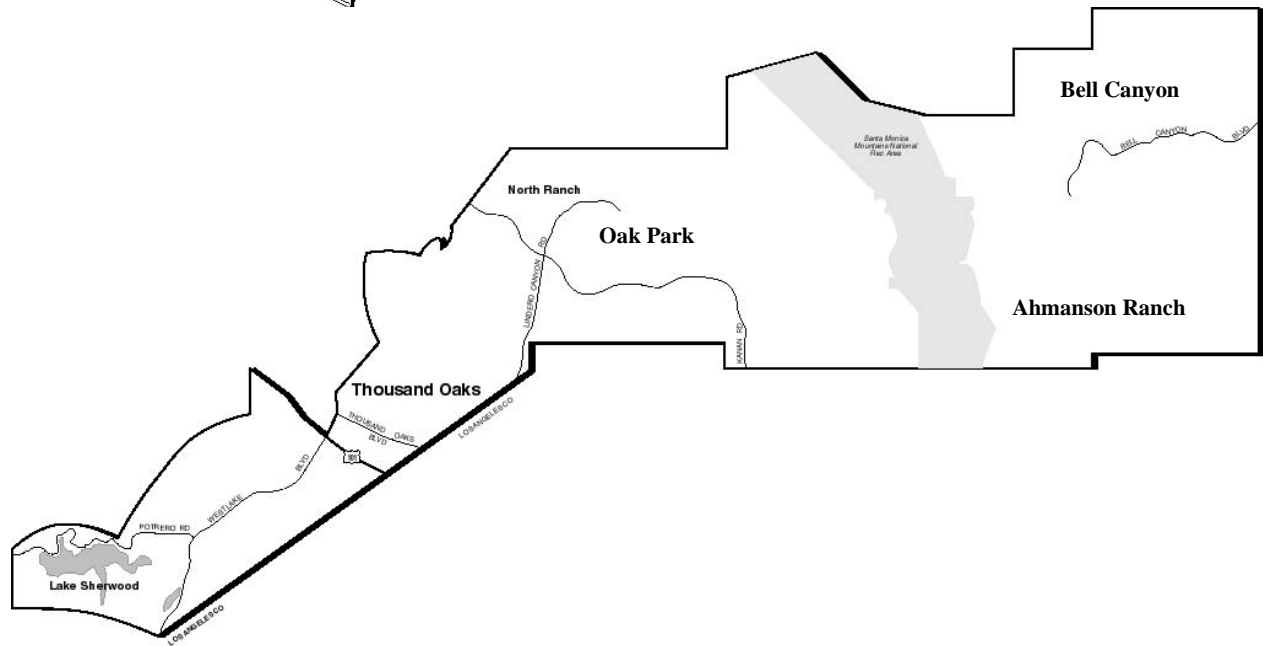
Christopher P. Morill

Executive Director/CEO

VENTURA COUNTY



TRIUNFO SANITATION DISTRICT



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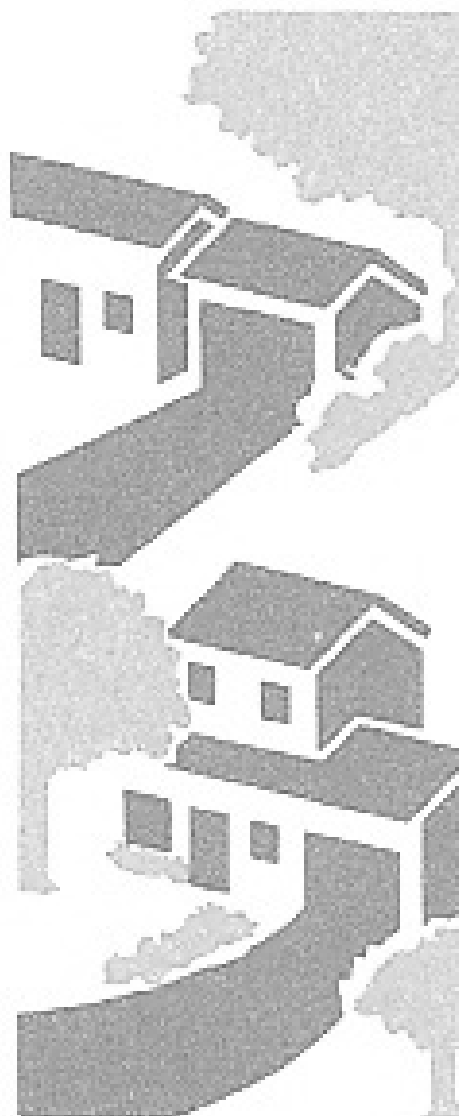
Financial Section



Financial Section

Triunfo Sanitation District

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





MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
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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, 2019 and June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Required Supplementary Information

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

Other Information

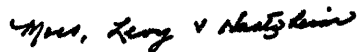
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Triunfo Sanitation District's basic financial statements. The introductory section, combining schedule of net position, combining schedule of revenues, expenses, and changes in net position,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

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

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

Other Reporting Required by *Government Auditing Standards*

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Financial Analysis of the District

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

Condensed Statements of Net Position

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

Condensed Statements of Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statements of Net Position

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

Woolsey Fire – \$391,672

Name Change Project – \$30,063

Potable Water System Repairs - \$185,289 (\$67,774 in labor and \$117,515 in materials)

Legal Fees - \$84,240

Settlement Release - \$74,907

Publicity, Events, Risk Management, clerking service - \$56,350

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration

Capital Assets

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

Changes in capital asset amounts for 2019 were:

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

Changes in capital asset amounts for 2018 were:

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Administration

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

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

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

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

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

Economic Factors and Next Fiscal Year's Budget and Rates

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Requests for Information

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

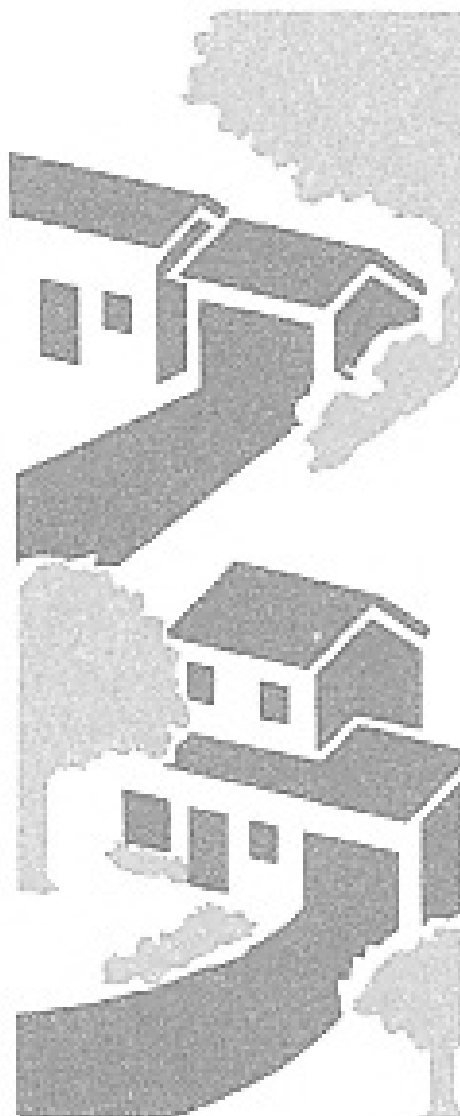
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Basic Financial Statements



Triunfo Sanitation District

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



Basic Financial Statements

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

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

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

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 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.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and 2018

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.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and JUNE 30, 2018

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, 2019 and 2018 were \$1,077,498 and \$1,014,675 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, 2019 and 2018 were \$79,255 and \$840,051 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, 2019 and 2018 were \$2,532,045 and \$600,447 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 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. 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

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and 2018

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.

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 decreasing unearned revenue by 8.91% from \$656,948 in fiscal year 2018 to \$603,200 in fiscal year 2019.

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.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and JUNE 30, 2018

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.

5. Implementation of new GASB pronouncement

GASB has issued Statement No.88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements – Amendment of GASB Statement No. 34*. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

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:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 11,371,097	\$ 11,968,768
Restricted cash and cash equivalents	<u>1,276,040</u>	<u>1,349,030</u>
Total Cash and Investments	<u>\$ 12,647,137</u>	<u>\$ 13,317,798</u>

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents		
Banc of America Public Capital Corp - Escrow Funds \$	-	\$ 42,393
Local Agency Investment Fund (LAIF)	10,875,116	626,131
Ventura County Treasury Pool	1,132,273	11,991,133
City National Bank	<u>639,748</u>	<u>658,141</u>
Total Cash and Cash Equivalents	<u>\$ 12,647,137</u>	<u>\$ 13,317,798</u>

At June 30, 2019, and 2018, the carrying amount of cash in bank deposits was \$639,748 and \$658,141 respectively, and the corresponding bank balance was \$1,183,995 and \$704,885 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. The remaining loan proceeds from the Calleguas Municipal Water District's Recycled Water System purchase held in the escrow account at June 30, 2018 in the amount of \$42,393 was applied to the next loan payment at the close of escrow in August 2018.

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	65 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.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and JUNE 30, 2018

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, 2019:		Remaining Maturity (In Months)
Investment Type	Fair Value Total	12 Month or Less
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>

Investments at June 30, 2018:		Remaining Maturity (In Months)
Investment Type	Fair Value Total	12 Month or Less
Local Agency Investment Fund (LAIF)	\$ 626,131	\$ 626,131
Ventura County Treasury Pool	11,991,133	11,991,133
Total	<u>\$ 12,617,264</u>	<u>\$ 12,617,264</u>

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and 2018

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, 2019	Minimum Legal Rating	Not Rated
Local Agency Investment Fund (LAIF)	10,875,116	N/A	\$ 10,875,116
Ventura County Treasury Pool	1,132,273	N/A	1,132,273
Total	<u>\$ 12,007,389</u>		<u>\$ 12,007,389</u>

Investment Type	Total as of June 30, 2018	Minimum Legal Rating	Not Rated
Local Agency Investment Fund (LAIF)	\$ 626,131	N/A	\$ 626,131
Ventura County Treasury Pool	11,991,133	N/A	11,991,133
Total	<u>\$ 12,617,264</u>		<u>\$ 12,617,264</u>

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and JUNE 30, 2018

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, 2019:

	Total as of June 30, 2019
<u>Investments measured at the Net Asset Value (NAV)</u>	
Local Agency Investment Fund (LAIF)	\$ 10,875,116
Ventura County Treasury Pool	<u>1,132,273</u>
Total	<u>\$ 12,007,389</u>

The District has the following recurring fair value measurements as of June 30, 2018:

	Total as of June 30, 2018
<u>Investments measured at the Net Asset Value (NAV)</u>	
Local Agency Investment Fund (LAIF)	\$ 626,131
Ventura County Treasury Pool	<u>11,991,133</u>
Total	<u>\$ 12,617,264</u>

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, 2019 and 2018.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and 2018

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. 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, 2019, 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.

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.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and JUNE 30, 2018

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.

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 \$10,875,116 and \$626,131 at June 30, 2019 and 2018, respectively.

2. Restricted Assets

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents restricted for:		
Customer deposits	\$ 70,840	\$ 47,690
Unearned revenue	603,200	656,948
Conifer loan reserve requirement	602,000	602,000
Banc of America Public Capital Corp - Escrow Funds	-	42,392
Total restricted cash and cash equivalents	<u>\$ 1,276,040</u>	<u>\$ 1,349,030</u>

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and 2018

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 \$8,360 and \$9,960 at June 30, 2019 and 2018, 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.

Other, net – These receivables resulted from manual billings for new sewer connections (\$1,031) and property damage claims (374,879). Property damage claims include \$372,975 submitted to FEMA for Woolsey fire related costs which is net of allowance for uncollectible accounts of \$116,555.

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

June 30, 2019

<u>Accounts receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
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>

June 30, 2018

<u>Accounts receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Water sales and services	\$ 998,382	\$ (9,960)	\$ 988,422
Sanitation fees	244,204	-	244,204
Other receivables	66,032	-	66,032
Total accounts receivable	<u>\$ 1,308,618</u>	<u>\$ (9,960)</u>	<u>\$ 1,298,658</u>

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and JUNE 30, 2018

4. Capital Assets

Changes to capital assets during fiscal years ended June 30, 2019 and 2018, were as follows:

	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-depreciable assets	704,113	198,717	(532,698)	370,132
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	61,409,018	-	328,520	61,737,538
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:	(23,316,631)	(1,526,799)	-	(24,843,430)
Total depreciable assets, net	38,092,387	(1,526,799)	328,520	36,894,108
Total capital assets, net	\$ 38,796,500	\$ (1,328,082)	\$ (204,178)	\$ 37,264,240

	Balance June 30, 2017	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2018
Non-depreciable assets:				
Land	\$ 71,370	\$ -	\$ -	\$ 71,370
Construction-in-progress	818,794	168,494	(354,545)	632,743
Total non-depreciable assets	890,164	168,494	(354,545)	704,113
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collection systems	16,535,876	-	354,545	16,890,421
Recycled water systems	15,703,087	-	-	15,703,087
Potable water systems	27,513,211	-	-	27,513,211
Other physical property	581,465	-	-	581,465
Total depreciable assets	61,054,473	-	354,545	61,409,018
Accumulated depreciation:				
Structures and improvements	(227,851)	(18,256)	-	(246,107)
Wastewater collection systems	(9,485,755)	(330,736)	-	(9,816,491)
Recycled water systems	(1,970,760)	(391,918)	-	(2,362,678)
Potable water systems	(9,735,283)	(777,764)	-	(10,513,047)
Other physical property	(333,523)	(44,785)	-	(378,308)
Total accumulated depreciation:	(21,753,172)	(1,563,459)	-	(23,316,631)
Total depreciable assets, net	39,301,301	(1,563,459)	354,545	38,092,387
Total capital assets, net	\$ 40,191,465	\$ (1,394,965)	\$ -	\$ 38,796,500

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and 2018

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	2019	2018
Hydraulic Model-PW	\$ -	\$ 138,914
Water Storage Study-RW	-	59,295
Lakeside Lift Station Improvements	45,685	51,296
Westlake Lift Station Abandonment	-	21,112
Capri Tract RW Improvements	-	78,697
Regency RW Pump Station Design	-	35,823
Oak Park North Apts RW Improvements	-	45,074
GP Sewer Automation	-	54,680
GP PW Upgrade/Automation	-	43,682
North Shore Gravity System - WW	239,306	104,168
Polo Lift Station	13,771	-
Total	\$ 298,762	\$ 632,741

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and JUNE 30, 2018

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, 2019 and June 30, 2018:

TSD/LVMWD Joint Venture Condensed Statements of Net Position (In Thousands of Dollars)			
	2019	2018	Change
Assets:			
Current assets	\$ 10,510	\$ 6,610	\$ 3,900
Capital assets, net	93,680	91,175	2,505
Total assets	104,190	97,785	6,405
Liabilities:			
Current liabilities	10,510	6,610	3,900
Total liabilities	10,510	6,610	3,900
Net position of participants net investment in capital assets:			
Las Virgenes Municipal Water District	62,373	60,564	1,809
Triunfo Sanitation District	31,307	30,611	696
Total net position	\$ 93,680	\$ 91,175	\$ 2,505
Total liabilities and net position	\$ 104,190	\$ 97,785	\$ 6,405

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and 2018

TSD/LVMWD Joint Venture Condensed Statements of Revenues, Expenses, and Changes in Net Position (In Thousands of Dollars)			
	2019	2018	Change
Revenues:			
Operating revenues	\$ 2,115	\$ 2,346	\$ (231)
Non-operating revenues	163	69	94
Total revenues	2,278	2,415	(137)
Expenses:			
Operating expenses	15,990	15,679	311
Non-operating expenses	2	238	(236)
Depreciation and amortization	5,721	5,695	26
Total expenses	21,713	21,612	101
Net loss before participant contributions	(19,435)	(19,197)	(238)
Billings to participants	13,711	13,264	447
Excess after billings to participants	(5,724)	(5,933)	209
Participants capital contributions	8,229	6,098	2,131
Change in Net Position	2,505	165	2,340
Beginning Net Position	91,175	91,010	165
Ending Net Position	\$ 93,680	\$ 91,175	\$ 2,505

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	2019	2018
Operating reserve advance	\$ 1,077,498	\$ 1,014,675
Construction advance	79,255	840,051
Replacement reserve advance	2,532,045	600,447
Total joint venture advances	\$ 3,688,798	\$ 2,455,173

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and JUNE 30, 2018

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.

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 SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and 2018

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

Description	Balance at June 30, 2018	Additions	Payments/ Deletions	Balance at 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 following table summarizes the District's debt at June 30, 2018.

Description	Balance at June 30, 2017	Additions	Payments/ Deletions	Balance at June 30, 2018	Amounts Due in One Year
Direct Borrowings:					
2017 RW System Purchase	\$ 11,725,000	\$ -	\$ (629,538)	\$ 11,095,462	\$ (648,444)
2014 Automated Meter Read Loan	2,120,783	-	(147,189)	1,973,594	(151,996)
2011 Construction loan	6,129,356	-	(318,545)	5,810,811	(333,628)
Total long-term debt	19,975,139	-	(1,095,272)	18,879,867	(1,134,068)
Less current portion	(1,095,272)			(1,134,068)	
Total long-term portion	\$ 18,879,867			\$ 17,745,799	

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
2020	\$ 1,174,326	\$ 619,506	\$ 1,793,832
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
2025-2029	7,521,207	1,447,953	8,969,160
2030-2032	3,919,084	216,543	4,135,627
Total	17,745,799	4,328,148	22,073,947
Less current portion	(1,174,326)	(619,506)	(1,793,832)
Total non-current	\$ 16,571,473	\$ 3,708,642	\$ 20,280,115

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and JUNE 30, 2018

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, 2019:

Developer/Tract	Balance at June 30, 2018	Additions	Payments/ Deletions	Balance at June 30, 2019	Amounts Due in One Year
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	\$ 361,094			\$ 333,840	

The following summarizes the District's Developer Refund Agreement obligations at June 30, 2018:

Developer/Tract	Balance at June 30, 2017	Additions	Payments/ Deletions	Balance at June 30, 2018	Amounts Due in One Year
CalProp/4315	\$ 56,160	\$ -	\$ (3,744)	\$ 52,416	\$ (3,744)
Grupe/3984	41,908	-	(4,930)	36,978	(4,930)
Morrison/4071	189,388	-	(11,835)	177,553	(11,835)
Warmington/4474	128,145	-	(6,744)	121,401	(6,745)
Total developer refunds	415,601	\$ -	\$ (27,253)	388,348	\$ (27,254)
Less current portion	(27,253)			(27,254)	
Total long-term portion	\$ 388,348			\$ 361,094	

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

Fiscal Year	Principal
2020	\$ 27,254
2021	27,254
2022	27,254
2023	27,254
2024	27,254
2025-2029	119,013
2030-2034	92,322
2035	13,489
Total	361,094
Less current portion	(27,254)
Total non-current	\$ 333,840

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) JUNE 30, 2019 and 2018

7. Net Positions

The following is the detail of net position:

The balance at June 30, consists of the following:		2019	2018
Capital assets, net	\$	37,264,240	\$ 38,796,500
Portion of loans payable used to purchase capital assets		(17,745,799)	(18,879,867)
Developer refund agreements		(361,094)	(388,348)
Total net investment in capital assets	\$	<u>19,157,347</u>	<u>\$ 19,528,285</u>
Restricted for:		2019	2018
Loan reserve requirement	\$	602,000	\$ 602,000
Capital expenditures		-	42,392
Total restricted	\$	<u>602,000</u>	<u>\$ 644,392</u>

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 2019 was \$5,352,043 and \$4,317,492 in fiscal year 2018. The increase of approximately \$1 million can be attributed to:

The Woolsey Fire – \$392,000
Name Change Project– \$30,000
Potable Water System Repairs - \$185,000 (\$68,000 in labor and \$118,000 in materials)
Publicity, community events, risk management, and clerking services - \$56,000
Additional payments to subcontractors \$122,000
Additional payments for materials \$62,000
Additional labor hours \$176,000

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, 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

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

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and JUNE 30, 2018

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

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 pumps)	\$ 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, 2019 and 2018.

2. Commitments and Contingencies

The District had contractual commitments with outside firms for engineering, consulting, or other various supplies and services totaling approximately \$60,986 and \$198,066 in fiscal year 2019 and fiscal year 2018, respectively.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

JUNE 30, 2019 and 2018

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, 2020, the Calleguas Municipal Water District (CMWD) will increase the wholesale potable water rate charge to the District by 3.44% which directly impacts recycled water costs as well. CMWD's increase will result in a pass through rate increase to the District's water customers to cover CMWD's increase as follows:

- Potable water tiered rates by eleven cents per hundred cubic feet (\$0.11/HCF)
- Recycled water retail rates by seventeen cents per hundred cubic feet (\$0.17/HCF)
- Recycled water wholesale rate by thirty-nine dollars and twenty cents per acre foot (\$39.20/AF)

The District's water rate increases are effective January 1, 2020.

On November 8, 2018, a major wildfire called the "Woolsey Fire" broke out in Ventura County and quickly spread into the Triunfo Sanitation District service area where numerous homes were either threatened or destroyed. In July 2019, staff filed a claim of \$466,219 with the Federal Emergency Management Agency (FEMA) for fire-related costs. The District will receive an additional 5% of approved claim for reimbursement of claim administration costs. An allowance for uncollectible accounts was set up at 25%.

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, 2018.
<i>Statement No. 87</i>	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
<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, 2019.
<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, 2018.
<i>Statement No. 91</i>	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.

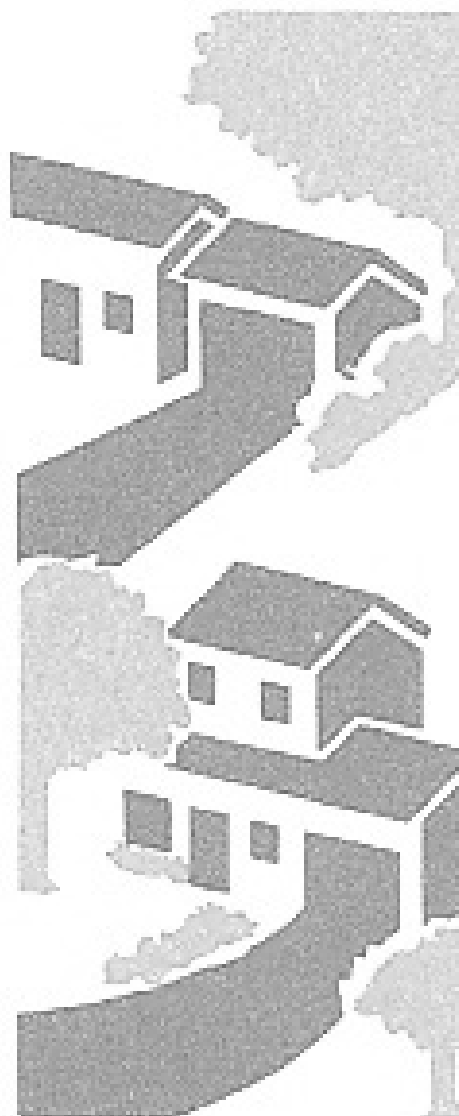
Supplementary Section



Supplementary Section

Triunfo Sanitation District

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



TRIUNFO SANITATION DISTRICT

COMBINING

SUPPLEMENTARY SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2019



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TYPES OF OPERATIONS

Wastewater Operations – The Triunfo Sanitation District owns, operates and maintains a wastewater collection system including piping; pump stations, force mains and pressure mains within its boundaries. The collection system delivers effluent to the Tapia Wastewater Reclamation Facility located in Los Angeles County. There is a joint partnership between the Triunfo Sanitation District and the Las Virgenes Municipal Water District for the ownership and operation of this facility.

Recycled Water Operations – The District provides recycled water from Tapia through two pipelines to the communities of Oak Park, Lake Sherwood and North Ranch. The recycled water from Tapia travels through 5.4 miles of District retail recycled water lines to irrigate 7 parks, 6 schools, a golf course, 15 acres of landscaping and medians, and 16 homeowners associations. In hot summer months, local irrigation consumes all of the recycled water Tapia produces.

Potable Water Operations – Through the Oak Park Water Service (OPWS), the District provides potable water service to households in the community of Oak Park. The Oak Park community is mostly residential and is located at the eastern edge of the county.

TRIUNFO SANITATION DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2019

ASSETS	Wastewater	Recycled Water	Potable Water	Total
Current assets:				
Cash and cash equivalents	\$ 5,869,259	\$ 2,848,577	\$ 2,653,261	\$ 11,371,097
Accrued interest receivable	79,320	-	4,259	83,579
Accounts receivable – water sales and services, net	-	505,444	322,081	827,525
Accounts receivable – sanitation fees	270,672	-	-	270,672
Accounts receivable – other, net	188,729	-	187,181	375,910
Advance deposits – investment-in-joint venture LVMWD/TSD	3,688,798	-	-	3,688,798
Water-in-storage inventory	-	-	18,806	18,806
Prepaid and other	29,556	22,370	19,398	71,324
Total current assets – unrestricted	10,126,334	3,376,391	3,204,986	16,707,711
Restricted current assets:				
Cash and cash equivalents	623,200	-	652,840	1,276,040
Total current assets – restricted	623,200	-	652,840	1,276,040
Total current assets – unrestricted and restricted	10,749,534	3,376,391	3,857,826	17,983,751
Non-current assets – capital assets, net				
Capital assets, net	7,527,786	13,044,763	16,691,691	37,264,240
Investment-in-joint venture LVMWD/TSD	31,306,909	-	-	31,306,909
Total non-current assets	38,834,695	13,044,763	16,691,691	68,571,149
Total assets	49,584,229	16,421,154	20,549,517	86,554,900
LIABILITIES				
Current liabilities:				
Payable from current assets:				
Accounts payable and accrued expenses	\$ 465,590	\$ 105,918	\$ 780,161	\$ 1,351,669
Accrued interest payable – loan	-	117,393	111,620	229,013
Loan payable – current portion	-	671,504	502,822	1,174,326
Developer refund agreements – current portion	-	-	27,254	27,254
Payable from current assets – unrestricted	465,590	894,815	1,421,857	2,782,262
Payable from restricted current assets:				
Customer deposits	20,000	-	50,840	70,840
Unearned revenue	603,200	-	-	603,200
Payable from restricted current assets	623,200	-	50,840	674,040
Total current liabilities – unrestricted and restricted	1,088,790	894,815	1,472,697	3,456,302
Non-current liabilities:				
Loans payable	-	9,816,864	6,754,609	16,571,473
Developer refund agreements	-	-	333,840	333,840
Total non-current liabilities	-	9,816,864	7,088,449	16,905,313
Total liabilities	1,088,790	10,711,679	8,561,146	20,361,615
NET POSITION				
Net investment in capital assets	7,527,786	2,556,395	9,073,166	19,157,347
Restricted:				
Conifer loan reserve requirement	-	-	602,000	602,000
Unrestricted	40,967,653	3,153,080	2,313,205	46,433,938
Total net position	\$ 48,495,439	\$ 5,709,475	\$ 11,988,371	\$ 66,193,285

TRIUNFO SANITATION DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Wastewater	Recycled Water	Potable Water	Total
Operating revenues:				
Sanitation fees	\$ 8,986,193	\$ -	\$ -	\$ 8,986,193
Potable water sales	-	-	5,790,358	5,790,358
Recycled water sales	-	2,176,845	-	2,176,845
Water meter service fees	-	215,724	1,895,181	2,110,905
Connection fees	118,833	-	-	118,833
Other charges for services	82,261	1,499	92,461	176,221
Total operating revenues	<u>9,187,287</u>	<u>2,394,068</u>	<u>7,778,000</u>	<u>19,359,355</u>
Operating expenses:				
Wastewater treatment	4,458,737	-	-	4,458,737
Potable water purchased	-	-	3,232,450	3,232,450
Recycled water purchased	-	564,870	-	564,870
Professional services	305,170	192,145	7,044	504,359
Operations, management and admin	<u>3,191,103</u>	<u>506,680</u>	<u>2,537,113</u>	<u>6,234,896</u>
Total operating expenses	<u>7,955,010</u>	<u>1,263,695</u>	<u>5,776,607</u>	<u>14,995,312</u>
Operating income before depreciation	1,232,277	1,130,373	2,001,393	4,364,043
Depreciation and amortization	<u>(347,903)</u>	<u>(393,439)</u>	<u>(785,457)</u>	<u>(1,526,799)</u>
Operating income(loss)	<u>884,374</u>	<u>736,934</u>	<u>1,215,936</u>	<u>2,837,244</u>
Non-operating revenue(expense)				
Change in investment-in-joint venture LVMWD/TSD	(1,610,974)	-	-	(1,610,974)
Rental revenue - cellular antennas	-	-	171,925	171,925
Interest and investment earnings	318,002	-	17,871	335,873
Interest expense	-	(323,151)	(322,450)	(645,601)
Other income(expenses), net	196,661	-	187,182	383,843
Central administration expense allocation	<u>662,846</u>	<u>(173,839)</u>	<u>(489,007)</u>	<u>-</u>
Total non-operating revenues, net	<u>(433,465)</u>	<u>(496,990)</u>	<u>(434,479)</u>	<u>(1,364,934)</u>
Change in net position	450,909	239,944	781,457	1,472,310
Net position, beginning of fiscal year	<u>48,044,530</u>	<u>5,469,531</u>	<u>11,206,914</u>	<u>64,720,975</u>
Net position, end of fiscal year	<u>\$ 48,495,439</u>	<u>\$ 5,709,475</u>	<u>\$ 11,988,371</u>	<u>\$ 66,193,285</u>

TRIUNFO SANITATION DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

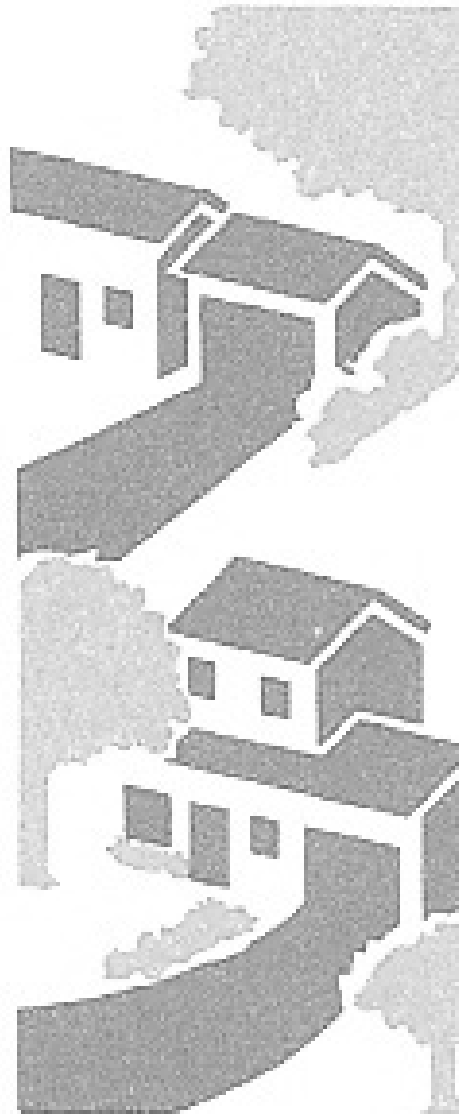
	Wastewater	Recycled Water	Potable Water	Total
Cash flows from operating activities:				
Receipts from customers for water sales and services	\$ 85,086	\$ 2,508,430	\$ 7,733,725	\$ 10,327,241
Receipts from customers for sanitation services	8,959,725	-	-	8,959,725
Receipts for other services	92,009	1,499	156,678	250,186
Payments to vendors for materials and services	(8,533,817)	(1,742,246)	(5,070,029)	(15,346,092)
Advance deposits - investment-in-joint venture LVMWD/TSD facility	(3,540,297)	-	-	(3,540,297)
Net cash provided by operating activities	(2,937,294)	767,683	2,820,374	650,763
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(148,907)	(49,810)	-	(198,717)
Proceeds from disposition of capital assets	26,722	177,454	-	204,176
Principal and interest paid on long-term debt	-	(982,272)	(838,813)	(1,821,085)
Net cash used in capital and related financing activities	(122,185)	(854,628)	(838,813)	(1,815,626)
Cash flows from non-capital financing activities:				
Transfers in (out)	662,846	(173,839)	(489,007)	-
Net cash provided by (used in) non-capital financing activities	662,846	(173,839)	(489,007)	-
Cash flows from investing activities:				
Proceeds from rental revenue - cellular antennas	-	-	171,925	171,925
Proceeds from interest and investment earnings	308,667	-	13,610	322,277
Net cash provided by investing activities	308,667	-	185,535	494,202
Net increase in cash and cash equivalents	(2,087,966)	(260,784)	1,678,089	(670,661)
Cash and cash equivalents (unrestricted and restricted), beginning of fiscal year	8,580,425	3,109,361	1,628,012	13,317,798
Cash and cash equivalents (unrestricted and restricted), end of fiscal year	\$ 6,492,459	\$ 2,848,577	\$ 3,306,101	\$ 12,647,137
Reconciliation of cash and cash equivalents to statement of net position:				
Cash and cash equivalents	\$ 5,869,259	\$ 2,848,577	\$ 2,653,261	\$ 11,371,097
Restricted cash and cash equivalents	623,200	-	652,840	1,276,040
Total cash and cash equivalents	\$ 6,492,459	\$ 2,848,577	\$ 3,306,101	\$ 12,647,137
Reconciliation of operating income(loss) to net cash provided by operating activities:				
Operating income(loss)	\$ 884,374	\$ 736,934	\$ 1,215,936	\$ 2,837,244
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:				
Depreciation and amortization	347,903	393,439	785,457	1,526,799
Other non-operating income, net	196,661	-	187,182	383,843
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable – water sales and services, net	-	115,861	45,036	160,897
Accounts receivable – sanitation fees	(26,468)	-	-	(26,468)
Accounts receivable – other, net	(186,915)	-	(122,963)	(309,878)
Water-in-storage inventory	-	-	3,232	3,232
Prepaid and other	(5,251)	(5,637)	(4,597)	(15,485)
Advance deposits - investment-in-joint venture LVMWD/TSD facility	(3,540,297)	-	-	(3,540,297)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	(573,553)	(472,914)	707,941	(338,526)
Customer deposits	(33,748)	-	3,150	(30,598)
Total adjustments	(3,821,668)	30,749	1,604,438	(2,186,481)
Net cash provided by operating activities	\$ (2,937,294)	\$ 767,683	\$ 2,820,374	\$ 650,763

TRIUNFO SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Sanitation fees	\$ 9,006,272	\$ 8,986,193	\$ 20,079
Potable water sales	6,638,993	5,790,358	848,635
Recycled water sales	2,876,447	2,176,845	699,602
Water meter service fees	2,045,445	2,110,905	(65,460)
Connection fees	50,000	118,833	(68,833)
Other charges for services	100,900	176,221	(75,321)
Total operating revenues	<u>20,718,057</u>	<u>19,359,355</u>	<u>1,358,702</u>
Operating expenses:			
Wastewater treatment	4,776,489	4,458,737	317,752
Potable water purchased	3,634,804	3,232,450	402,354
Recycled water purchased	776,792	564,870	211,922
Professional services	433,950	504,359	(70,409)
Operations, management and admin	6,023,801	6,234,896	(211,095)
Total operating expenses	<u>15,645,836</u>	<u>14,995,312</u>	<u>650,524</u>
Operating income before depreciation	5,072,221	4,364,043	708,178
Depreciation and amortization	<u>(1,611,873)</u>	<u>(1,526,799)</u>	<u>(85,074)</u>
Operating income	<u>3,460,348</u>	<u>2,837,244</u>	<u>623,104</u>
Non-operating revenue(expense)			
Change in investment-in-joint venture LVMWD/TSD	(4,484,839)	(1,610,974)	(2,873,865)
Rental revenue - cellular antennas	142,389	171,925	(29,536)
Interest and investment earnings	60,000	335,873	(275,873)
Interest expense	(659,764)	(645,601)	(14,163)
Other income (expenses), net	<u>-</u>	<u>383,843</u>	<u>(383,843)</u>
Total non-operating expenses, net	<u>(4,942,214)</u>	<u>(1,364,934)</u>	<u>(3,577,280)</u>
Change in net position	(1,481,866)	1,472,310	<u><u>\$(2,954,176)</u></u>
Net position, beginning	<u>64,720,975</u>	<u>64,720,975</u>	
Net position, ending	<u>\$ 63,239,109</u>	<u>\$ 66,193,285</u>	

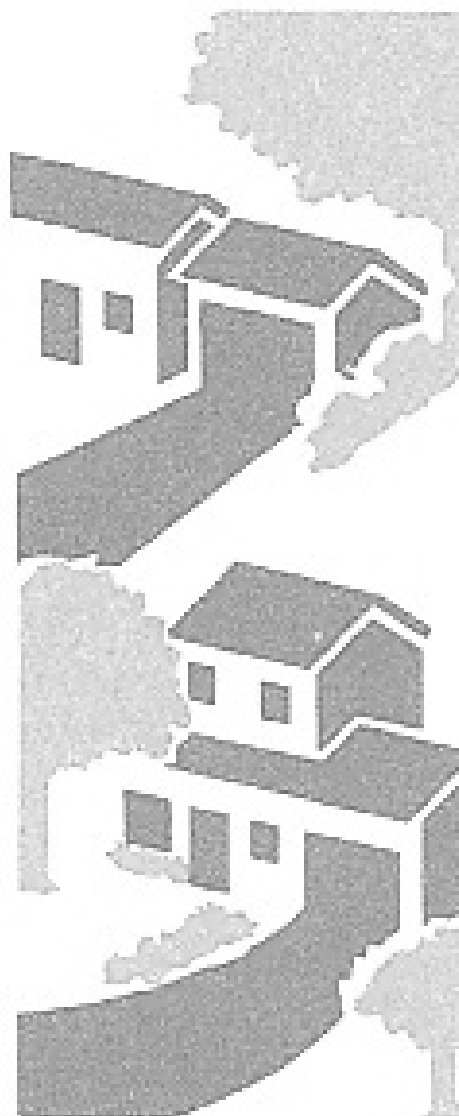
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Statistical Section



Triunfo Sanitation District

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



**Triunfo Sanitation District
Statistical Section**

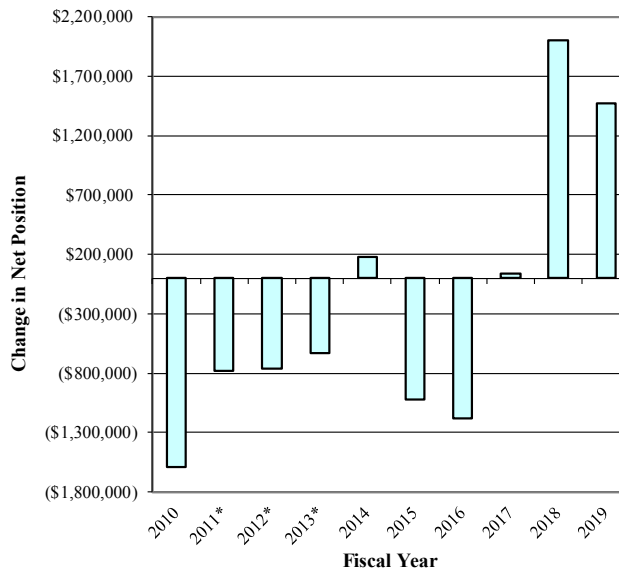
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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Financial Trends	55-58
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	59-62
These schedules contain information to help the reader assess the District's most significant own-source revenues, wastewater service, potable water sales, and recycled water sales.	
Debt Capacity	63-64
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic Information	65-68
These schedules offer demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	69
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides.	

Triunfo Sanitation District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				
	2010	2011*	2012*	2013*	2014
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 12,550,843	\$ 12,986,803	\$ 13,744,712	\$ 15,176,216	\$ 16,262,169
Operating expenses (see Schedule 3)	(11,433,846)	(11,273,168)	(12,026,778)	(13,035,013)	(13,461,380)
Depreciation and amortization	(879,346)	(822,844)	(905,549)	(904,630)	(865,402)
Operating income(loss)	237,651	890,791	812,385	1,236,573	1,935,387
Non-operating revenues(expenses)					
Investment income/(loss)	17,984	131,781	51,006	11,586	26,290
Rental income - cellular antennas	147,450	159,874	169,416	149,093	153,863
Change in investment in LVMWD/TSD Joint Venture	(1,689,237)	(1,634,383)	(1,920,297)	(2,018,902)	(1,917,034)
Gain/(loss) on sale of assets	-	-	-	-	-
Interest expense	(104,124)	(223,304)	(23,281)	(9,081)	(236)
Bond administration expense	(217,905)	(104,808)	-	-	(20,000)
Other revenue/(expense), net	19,616	-	153,259	-	-
Total non-operating revenues(expenses), net	(1,826,216)	(1,670,840)	(1,569,897)	(1,867,304)	(1,757,117)
Net income before capital contributions	(1,588,565)	(780,049)	(757,512)	(630,731)	178,270
Capital contributions	1,181	-	-	-	-
Changes in net position	\$ (1,587,384)	\$ (780,049)	\$ (757,512)	\$ (630,731)	\$ 178,270
Net position by component:					
Net investment in capital assets	\$ 20,240,997	\$ 21,366,364	\$ 22,233,510	\$ 21,726,237	\$ 21,228,218
Restricted	-	602,000	602,000	602,000	602,000
Unrestricted	46,629,745	44,122,329	42,497,671	42,374,213	43,050,502
Total net position	\$ 66,870,742	\$ 66,090,693	\$ 65,333,181	\$ 64,702,450	\$ 64,880,720

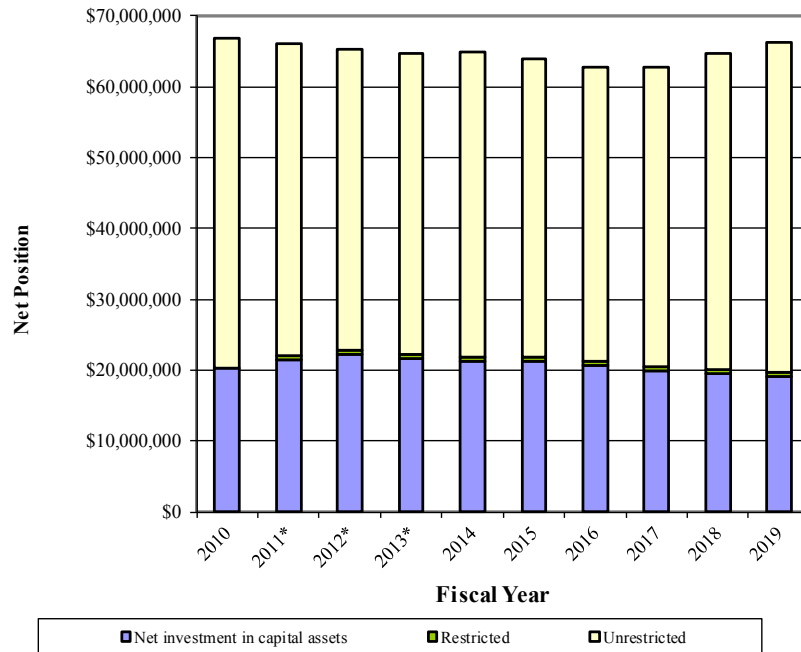


* The presentation of certain prior year balances have been reclassified to conform to current year presentation.

Source: Triunfo Sanitation District

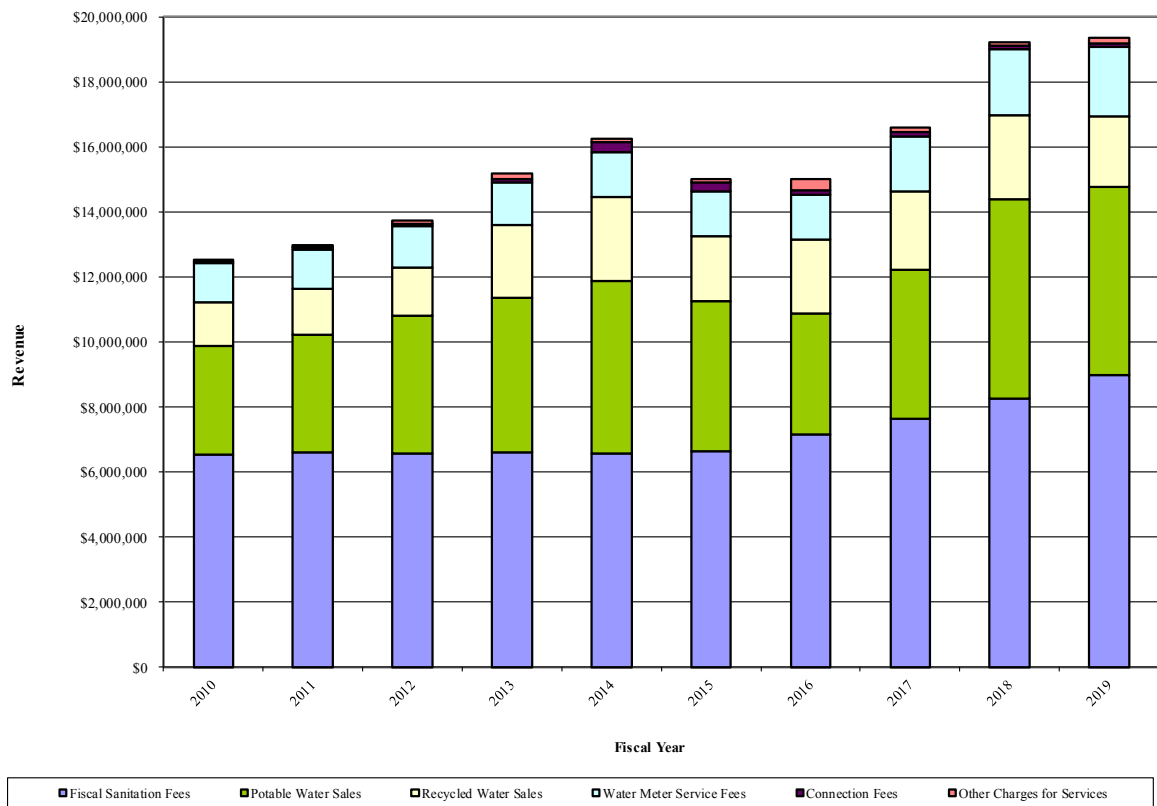
Triunfo Sanitation District
Changes in Net Position and Net Position by Component (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2015	2016	2017	2018	2019
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 15,009,561	\$ 15,008,613	\$ 16,586,688	\$ 19,227,754	\$ 19,359,355
Operating expenses (see Schedule 3)	(13,372,916)	(12,902,162)	(13,129,632)	(13,568,268)	(14,995,312)
Depreciation and amortization	(899,549)	(1,288,281)	(1,271,388)	(1,563,459)	(1,526,799)
Operating income(loss)	737,096	818,170	2,185,668	4,096,027	2,837,244
Non-operating revenues(expenses)					
Investment income/(loss)	38,939	69,338	50,628	160,050	335,873
Rental income - cellular antennas	120,147	112,270	111,672	175,394	171,925
Change in investment in LVMWD/TSD Joint Venture	(1,915,400)	(1,827,859)	(1,874,056)	(1,744,428)	(1,610,974)
Gain/(loss) on sale of assets	28,179	-	-	-	-
Interest expense	(26,078)	(367,450)	(444,335)	(684,922)	(645,601)
Bond administration expense	-	-	-	-	-
Other revenue/(expense), net	-	11,450	7,249	2,506	383,843
Total non-operating revenues(expenses), net	(1,754,213)	(2,002,251)	(2,148,842)	(2,091,400)	(1,364,934)
Net income before capital contributions	(1,017,117)	(1,184,081)	36,826	2,004,627	1,472,310
Capital contributions	-	-	-	-	-
Changes in net position	\$ (1,017,117)	\$ (1,184,081)	\$ 36,826	\$ 2,004,627	\$ 1,472,310
Net position by component:					
Net investment in capital assets	\$ 21,277,799	\$ 20,705,185	\$ 19,800,725	\$ 19,528,285	\$ 19,157,347
Restricted	602,000	602,000	668,312	644,392	602,000
Unrestricted	41,983,804	41,372,337	42,247,311	44,548,298	46,433,938
Total net position	\$ 63,863,603	\$ 62,679,522	\$ 62,716,348	\$ 64,720,975	\$ 66,193,285



**Triunfo Sanitation District
Operating Revenue By Source
Last Ten Fiscal Years**

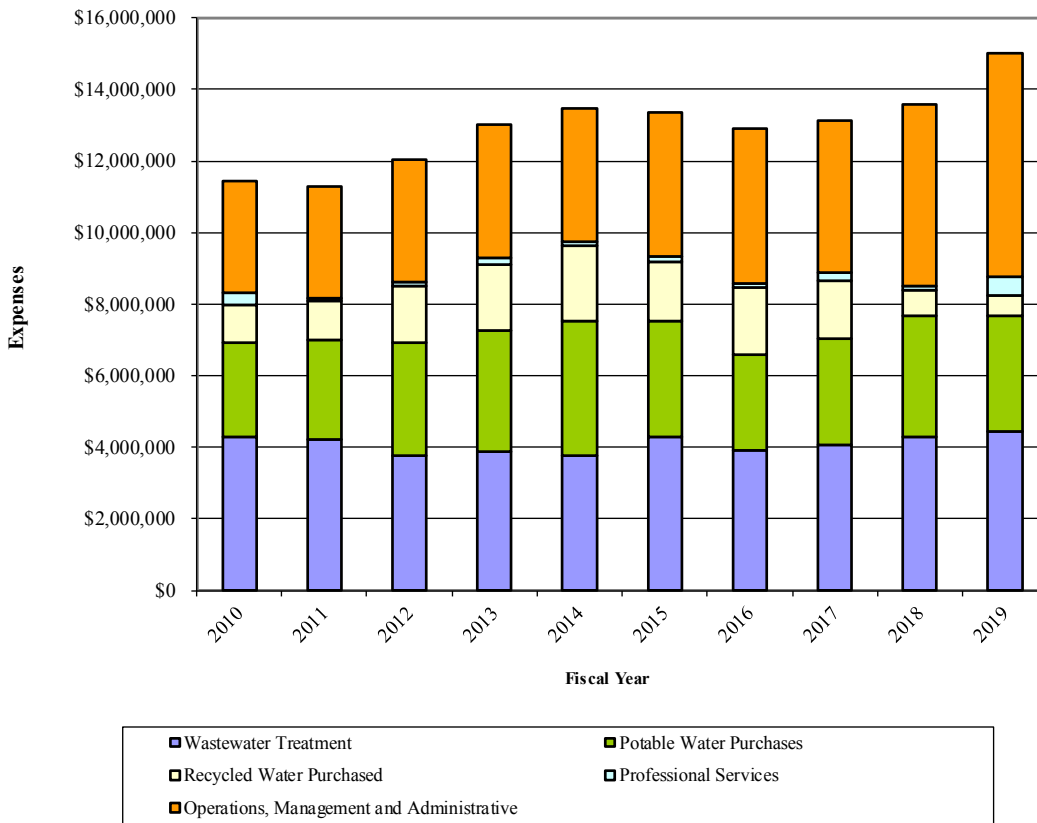
Fiscal Year	Sanitation Fees	Potable Water Sales	Recycled Water Sales	Water Meter Service Fees	Connection Fees	Other Charges for Services	Total Operating Revenue
2010	\$ 6,550,564	\$ 3,321,834	\$ 1,346,428	\$ 1,208,412	\$ 53,985	\$ 69,620	\$ 12,550,843
2011	6,592,768	3,635,156	1,393,523	1,215,722	61,437	88,197	12,986,803
2012	6,573,309	4,245,741	1,481,830	1,263,052	80,960	99,820	13,744,712
2013	6,594,736	4,779,539	2,211,030	1,327,623	115,299	147,989	15,176,216
2014	6,590,649	5,282,011	2,580,139	1,385,935	309,650	113,785	16,262,169
2015	6,644,859	4,622,483	1,994,508	1,385,771	262,406	99,534	15,009,561
2016	7,144,479	3,725,085	2,295,803	1,379,077	107,975	356,194	15,008,613
2017	7,657,139	4,575,323	2,406,038	1,679,051	138,650	130,487	16,586,688
2018	8,253,307	6,149,583	2,575,319	2,034,687	91,279	123,579	19,227,754
2019	8,986,193	5,790,358	2,176,845	2,110,905	118,833	176,221	19,359,355



Source: Triunfo Sanitation District

**Triunfo Sanitation District
Operating Expenses by Activity
Last Ten Fiscal Years**

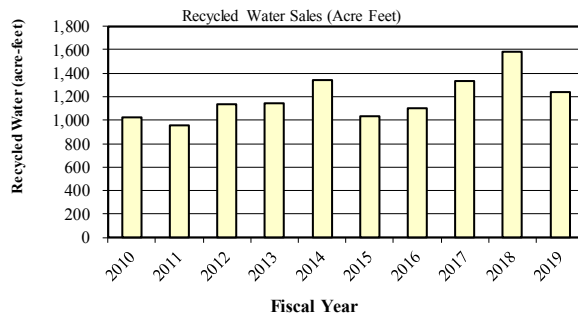
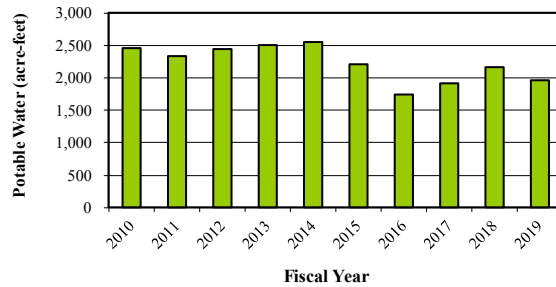
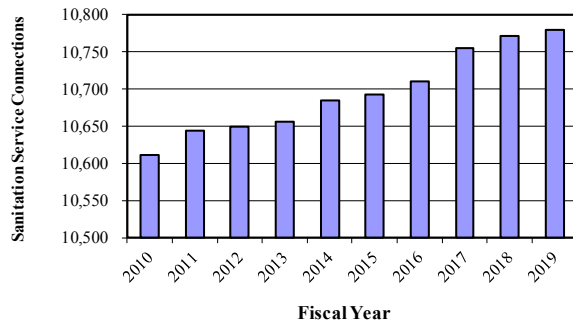
Fiscal Year	Wastewater Treatment	Potable Water Purchases	Recycled Water Purchased	Professional Services	Operations, Management and Administrative	Total Operating Expenses
2010	\$ 4,300,816	\$ 2,624,592	\$ 1,057,027	\$ 320,268	\$ 3,131,143	\$ 11,433,846
2011	4,202,269	2,784,699	1,118,921	77,491	3,089,788	11,273,168
2012	3,766,205	3,148,276	1,583,652	106,839	3,421,806	12,026,778
2013	3,873,043	3,386,897	1,838,525	181,497	3,755,051	13,035,013
2014	3,783,274	3,731,891	2,131,331	95,968	3,718,916	13,461,380
2015	4,305,047	3,223,673	1,665,181	127,670	4,051,345	13,372,916
2016	3,917,234	2,680,573	1,871,720	94,030	4,338,605	12,902,162
2017	4,058,695	2,961,082	1,629,682	230,423	4,249,750	13,129,632
2018	4,309,990	3,366,431	716,702	103,494	5,071,651	13,568,268
2019	4,458,737	3,232,450	564,870	504,359	6,234,896	14,995,312



Source: Triunfo Sanitation District

**Triunfo Sanitation District
Revenue Base
Last Ten Fiscal Years**

Fiscal Year	Sanitation Service Connections	Potable Water Sales (Acre Feet)	Recycled Water Sales (Acre Feet)
2010	10,611	2,461	1,026
2011	10,644	2,338	951
2012	10,650	2,444	1,138
2013	10,656	2,503	1,140
2014	10,685	2,560	1,343
2015	10,693	2,213	1,028
2016	10,711	1,746	1,099
2017	10,755	1,912	1,334
2018	10,771	2,167	1,583
2019	10,779	1,959	1,240



Note: See Schedule 2 "Operating Revenue by Source" for information regarding sanitation revenues.

Source: Triunfo Sanitation District

Triunfo Sanitation District
Revenue Rates⁽¹⁾
Last Ten Fiscal Years

Sanitation Fees										
Connection Type⁽²⁾	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single/Multi Residential	\$ 41.80	\$ 41.80	\$ 41.80	\$ 41.80	\$ 41.80	\$ 41.80	\$ 44.52	\$ 47.41	\$ 50.49	\$ 55.03
Apartment Units	33.44	33.44	33.44	33.44	33.44	33.44	35.61	37.92	40.38	44.01
Commercial/Hotels	41.80	41.80	41.80	41.80	41.80	41.80	44.52	47.41	50.49	55.03
Shopping Centers	74.22	74.22	74.22	74.22	74.22	74.22	79.04	84.18	89.65	97.72
Restaurants & Markets	96.14	96.14	96.14	96.14	96.14	96.14	102.39	109.05	116.14	126.59

Potable Water Consumption Fees										
Water Consumed⁽³⁾	2010	2011	2012	2013	2014	2015				
0 - 6 HCF	\$ 2.85	\$ 2.95	\$ 3.33	\$ 3.67	\$ 3.93	\$ 4.01				
6 - 28 HCF	3.57	3.67	4.07	4.49	4.75	4.83				
Over 28 HCF	4.53	4.63	5.19	5.73	5.99	6.07				

Water Consumed⁽³⁾					2016	2017	2018	2019
0 - 7 HCF					\$ 4.24	\$ 5.06	\$ 5.88	\$ 6.16
>7 - 28 HCF					5.33	5.78	6.69	7.00
Over 28 HCF					6.79	7.14	8.23	8.58

Recycled Water Consumption Fees										
Water Consumed⁽³⁾	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
All Units (HCF)	\$ 2.21	\$ 2.60	\$ 2.60	\$ 2.86	\$ 2.96	\$ 3.03	\$ 3.25	\$ 3.82	\$ 4.63	\$ 4.93

Potable Water Meter Service Fees										
Meter Size	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
5/8 inch	\$ 13.16	\$ 13.75	\$ 13.75	\$ 14.51	\$ 15.23	\$ 15.23	\$ 15.23	\$ N/A	\$ N/A	\$ N/A
3/4 inch	19.74	20.63	20.63	21.76	22.85	22.85	22.85	24.79	28.02	28.87
1 inch	32.91	34.39	34.39	36.28	38.10	38.10	38.10	39.15	44.24	45.57
1 1/2 inch	65.81	68.77	68.77	72.55	76.18	76.18	76.18	75.05	84.81	87.36
2 inch	105.30	110.04	110.04	116.09	121.90	121.90	121.90	118.14	133.50	137.51
3 inch	197.43	206.31	206.31	217.66	228.54	228.54	228.54	254.57	287.67	296.31
4 inch	329.06	343.87	343.87	362.78	380.92	380.92	380.92	455.63	514.87	530.32
6 inch	658.07	687.68	687.68	725.51	761.78	761.78	761.78	1,008.55	1,139.67	1,173.87

Recycled Water Meter Service Fees										
Meter Size	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
5/8 inch	\$ 13.16	\$ 13.16	\$ 13.16	\$ 13.16	\$ 13.16	\$ 13.16	\$ 13.71	\$ N/A	\$ N/A	\$ N/A
3/4 inch	19.74	19.74	19.74	19.74	19.74	19.74	20.53	N/A	N/A	N/A
1 inch	32.91	32.91	32.91	32.91	32.91	32.91	34.23	N/A	N/A	N/A
1 1/2 inch	65.81	65.81	65.81	65.81	65.81	65.81	68.45	N/A	N/A	N/A
2 inch	105.30	105.30	105.30	105.30	105.30	105.30	109.52	125.95	144.84	149.19
3 inch	197.43	197.43	197.43	197.43	197.43	197.43	205.33	236.13	271.55	279.70
4 inch	329.06	329.06	329.06	329.06	329.06	329.06	342.23	393.56	452.60	466.18
6 inch	658.07	658.07	658.07	658.07	658.07	658.07	684.40	787.06	905.12	932.27

(1) Rates as of June 30 of each fiscal year.

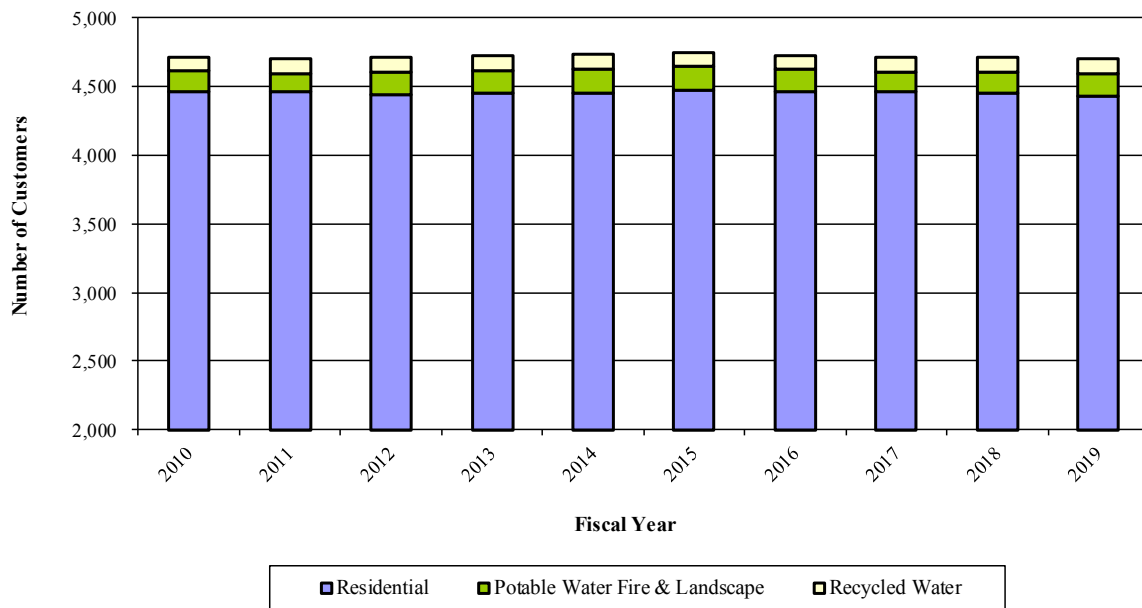
(2) Per Equivalent Residential Unit (ERU)

(3) Per Hundred Cubic Feet (HCF)

Source: Triunfo Sanitation District Board of Directors approved rate ordinances and resolutions

**Triunfo Sanitation District
Water Customers by Type at Fiscal Year-End
Last Ten Fiscal Years**

Fiscal Year	Customer Type			Total
	Potable Water Residential	Potable Water Fire & Landscape	Recycled Water	
2010	4,456	155	104	4,715
2011	4,459	137	105	4,701
2012	4,443	157	107	4,707
2013	4,449	165	110	4,724
2014	4,452	169	110	4,731
2015	4,475	167	107	4,749
2016	4,457	165	106	4,728
2017	4,459	144	108	4,711
2018	4,451	155	108	4,714
2019	4,429	159	108	4,696



Note: Number of customers as of June 30 of fiscal year.

Source: Triunfo Sanitation District

**Triunfo Sanitation District
Principal Customers
Current Fiscal Year and Nine Years Ago**

Customer	Potable Water - Retail			
	2019		2010	
	Water Consumed	Percentage of Total	Water Consumed	Percentage of Total
ERP Operating, LLP	44,078	5.17%	50,449	4.71%
Shadow Ridge HOA	20,442	2.40%	22,130	2.06%
Morrison Estates HOA	8,957	1.05%	9,723	0.91%
Capri	8,087	0.00%	7,774	0.73%
Concord Consulting	6,692	0.78%	8,803	0.82%
Oak Park First Plaza (Shopping Center)	5,762	0.68%	6,481	0.60%
Rancho Simi Recreation & Park	5,237	0.00%	6,116	0.57%
County of Ventura	5,198	0.61%	5,565	0.52%
Regency Hills Neighborhood	4,976	0.58%	14,355	1.34%
Shadow Oaks	4,921	0.58%	4,409	0.41%
Oak Park Unified School District	4,454	0.52%	4,479	0.42%
Tract 3141 HOA	3,788	0.44%	3,320	0.31%
Hillcrest Homes HOA	3,455	0.41%	5,548	0.52%
Total	126,048	14.77%	149,152	13.91%
Total Potable Water Consumed	853,151	100.00%	1,071,900	100.00%

Customer	Recycled Water - Retail and Wholesale			
	2019		2010	
	Water Consumed	Percentage of Total	Water Consumed	Percentage of Total
California Water Service Company	169,609	31.40%	N/A ⁽¹⁾	N/A ⁽¹⁾
Sherwood County Club	77,639	14.37%	154,132	33.98%
Rancho Simi Recreation & Park	48,430	8.97%	55,689	12.28%
Oak Park Unified School District	39,996	7.41%	47,268	10.42%
Tract 3141 HOA	25,942	4.80%	21,094	4.65%
Country Glenn	22,192	4.11%	12,426	2.74%
County of Ventura	18,676	3.46%	17,779	3.92%
Regency Hill Neighborhood	18,117	3.35%	31,228	6.88%
Shadow Ridge HOA	16,423	3.04%	16,222	3.58%
Hidden Valley	15,470	2.86%	N/A ⁽¹⁾	N/A ⁽¹⁾
Country Vista III Owners	14,939	2.77%	18,821	4.15%
Oak Park Village Assoc	10,769	1.99%	8,044	1.77%
Total	478,204	88.54%	382,703	84.37%
Total Recycled Water Consumed	540,107	100.00%	453,618	100%

Note:

Per Hundred Cubic Feet (HCF)

(1) Recycled Water - Wholesale data for 2010 is not available

Source: Triunfo Sanitation District

Triunfo Sanitation District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	MFC Loans [1]	Developer Refund Agreements [2]	Installment Purchase Agreement [3]	Lease Purchase Agreement [4]	Lease Purchase Agreement [5]	Total	Per Capita	As a Share of Personal Income
2010	\$ 1,780,000	\$ 606,378	\$ -	\$ -	\$ -	\$ 2,386,378	\$ 72.84	0.17%
2011	-	579,124	7,760,000	-	-	8,339,124	254.55	0.55%
2012	-	551,870	7,518,662	-	-	8,070,532	246.35	0.51%
2013	-	524,616	7,265,897	-	-	7,790,513	237.81	0.49%
2014	-	497,363	7,001,164	2,535,000	-	10,033,526	306.27	0.61%
2015	-	470,109	6,723,896	2,401,341	-	9,595,346	286.81	0.53%
2016	-	442,855	6,433,501	2,263,316	-	9,139,672	273.19	0.49%
2017	-	415,601	6,129,356	2,120,783	11,725,000	20,390,740	609.50	0.99%
2018	-	388,348	5,810,811	1,973,594	11,095,462	19,268,215	575.94	0.93%
2019	-	361,094	5,477,183	1,821,598	10,447,018	18,106,893	541.23	0.86%

[1] Two refunding loans from Municipal Finance Corporation (MFC):

- a) 2002 MFC Refunding Loan- the loan amount of \$1,880,000 was issued to refinance the 1992 Certificate of Participation.
- b) 2003 MFC Refunding Loan- the loan amount of \$6,655,000 was issued to advance refund the all outstanding 1993 Water Installment Certificates.

[2] Developer Refund Agreements acquired by the District with the purchase of the Metropolitan Water Company for the repayment of water system construction costs in the amount of \$1,419,961.

[3] 2011 Bank of America Installment Purchase Agreement - loan in the amount of \$7,760,000 for the acquisition and construction of a single 2.1 million gallon buried water storage tank.

[4] 2014 Bank of America Lease/Purchase Agreement - loan in the amount of \$2,535,000 for the acquisition and implementation of a new potable water automated meter read for the Oak Park service area.

[5] 2017 Bank of America Lease/Purchase Agreement - loan in the amount of \$11,725,000 for the purchase of the recycled water system (pipelines) from Calleguas Municipal Water District.

Source: Triunfo Sanitation District

**Triunfo Sanitation District
Pledged-Revenue Coverage
Installment Purchase Agreement
Fiscal Years 2019 and 2018**

Fiscal Year 2019				
	Wastewater	Recycled	Potable Water	Total
Revenue sources				
Operating revenues	\$ 9,187,287	\$ 2,394,068	\$ 7,778,000	\$ 19,359,355
Non-operating revenues	989,811	-	191,701	1,181,512
Total revenue sources	10,177,098	2,394,068	7,969,701	20,540,867
Expenses				
Operating expenses	\$ 7,955,010	\$ 1,263,695	\$ 5,776,607	\$ 14,995,312
Non-operating expenses	-	173,839	489,007	662,846
Total expenses	7,955,010	1,437,534	6,265,614	15,658,158
Net Revenues (Expenses)	2,222,088	956,534	1,704,087	4,882,709
Installment payments				
Principal	-	651,894	482,174	1,134,068
Interest	-	329,387	330,376	659,763
Total installment payments	-	981,281	812,550	1,793,830
Debt Service Coverage (min 1.25x)	n/a	n/a	n/a	2.72

Fiscal Year 2018				
	Wastewater	Recycled	Potable Water	Total
Revenue sources				
Operating revenues	\$ 8,367,515	\$ 2,788,581	\$ 8,071,658	\$ 19,227,754
Non-operating revenues	794,524	-	177,900	972,424
Total revenue sources	9,162,039	2,788,581	8,249,558	20,200,178
Expenses				
Operating expenses	\$ 7,397,565	\$ 1,140,532	\$ 5,030,171	\$ 13,568,268
Non-operating expenses	-	148,899	485,575	634,474
Total expenses	7,397,565	1,289,431	5,515,746	14,202,742
Net Revenues (Expenses)	1,764,474	1,499,150	2,733,812	5,997,436
Installment payments				
Principal	-	632,879	462,393	1,095,272
Interest	-	349,393	349,167	698,560
Total installment payments	-	982,272	811,560	1,793,831
Debt Service Coverage (min 1.25x)	n/a	n/a	n/a	3.34

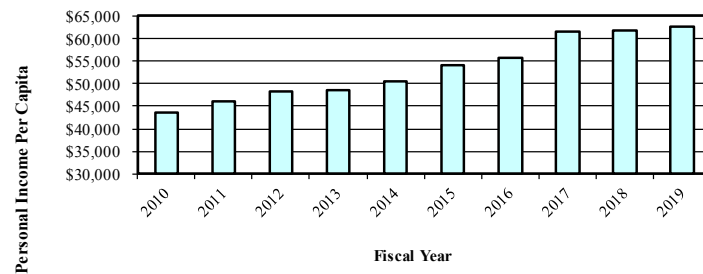
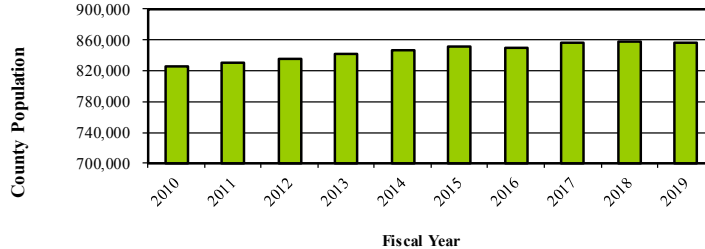
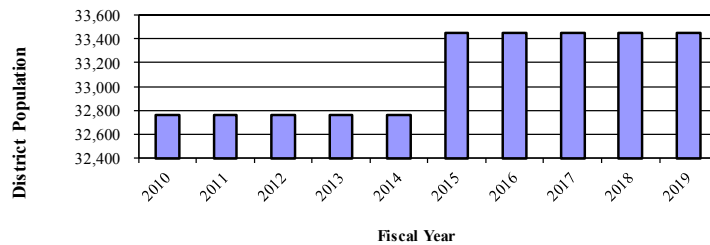
Notes: Change in investment-in-joint venture-LVMWD/TSD non-operating expense is not included in the report. This expense is for the JPA TSD share of the capital construction & replacement fund.
Interest expense non-operating expense is not included in the report.

Source: Triunfo Sanitation District

**Triunfo Sanitation District
Demographics and Economic Statistics
Last Ten Calendar Years**

County of Ventura

Year	Population within District(1)	Unemployment Rate(4)	Population (persons)(1)	Personal Income(2,3)	Personal Income per Capita(2,3)
2010	32,760	10.6%	825,353	\$ 36,032,516	\$ 43,657
2011	32,760	10.3%	830,973	38,195,055	45,964
2012	32,760	10.3%	835,476	40,391,098	48,345
2013	32,760	7.8%	840,972	40,940,858	48,683
2014	32,760	6.2%	846,178	42,651,306	50,405
2015	33,455	5.3%	850,536	46,060,353	54,155
2016	33,455	5.8%	849,738	47,397,620	55,779
2017	33,455	4.5%	855,973	50,600,000	61,405
2018	33,455	3.6%	857,415	52,900,000	61,804
2019	33,455	3.6%	856,598	55,500,000	62,738



Sources: (1) Population data obtained from California Department of Finance, prior years are actual; current year is forecasted.

(2) US Bureau of Economic Analysis CA1 Personal Income Summary: 2016 and prior data

(3) Personal Income and Personal Income per Capita for 2017 forward was obtained from the California County-Level Economic Forecast

(4) State of California, Employment Development Department, Labor Market Information Division

Notes: Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.

**Triunfo Sanitation District
Principal Employers - Ventura County
Current Fiscal Year and Ten Years Ago**

Employer	2019^(a)			2009^(b)		
	Number of Employee	Rank	Percentage of Total Employed	Number of Employee	Rank	Percentage of Total Employed
Naval Base of Ventura	18,776	1	4.68%	19,000	1	5.89%
County of Ventura - Government Center	8,435	2	2.10%	8,121	2	2.52%
Amgen	5,500	3	1.37%	6,500	3	2.01%
Wellpoint Health Network, Inc.	2,860	4	0.71%	3,623	5	1.12%
Simi Valley Unified School District	2,737	5	0.68%	2,591	6	0.80%
Community Memorial Hospital of San Buenaventura	2,300	6	0.57%	2,000	13	0.62%
Conejo Valley Unified School District	2,050	7	0.51%	2,169	11	0.67%
Dignity Health	2,016	8	0.50%	-		n/a
Ventura Unified School District	1,835	9	0.46%	2,197	10	0.68%
Oxnard Union High School District	1,654	10	0.41%	-		n/a
St John's Regional Medical Center	-		n/a	2,011	12	0.62%
Countrywide Home Loans Headquarters	-		n/a	5,588	4	1.73%
Ventura County Health Care Agency	-		n/a	2,430	7	0.75%
Vons	-		n/a	2,282	8	0.71%
Verizon Communication	-		n/a	2,200	9	0.68%
Top Ten Employers Total	<u>48,163</u>		12.00%	<u>60,712</u>		18.81%
Total Employed in County	<u>401,200</u>		100.00%	<u>322,700</u>		100.00%

Sources:

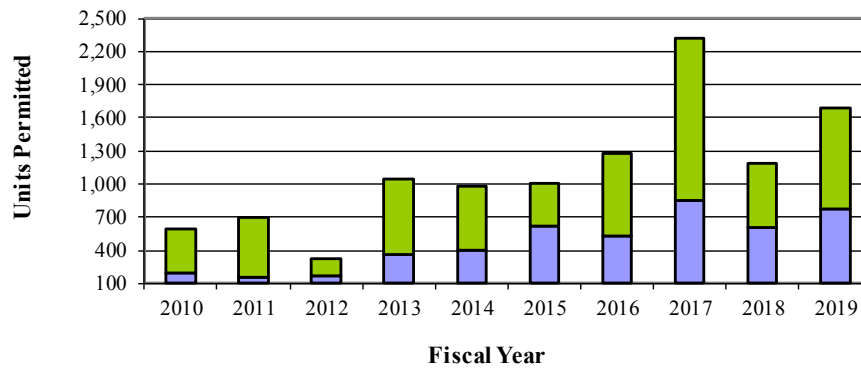
(a) 2019 Los Angeles County and Ventura County Economic Outlook.

(b) UC Santa Barbara Economic Forecast Project; includes both full and part-time employees

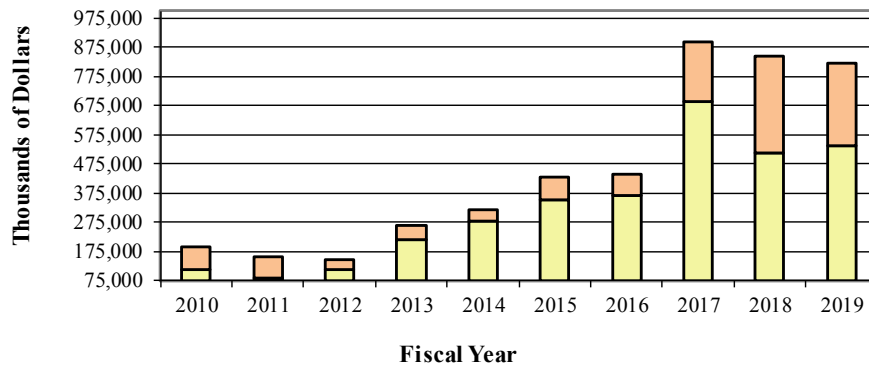
**Triunfo Sanitation District
Building Permits - County of Ventura
Last Ten Fiscal Years**

Fiscal Year	New Single Family Units	New Multiple Family Units	Total New Residential Units	Total New Residential Investment (000's)	Non-residential Investment (000's)	Total New Structure Investment (000's)
2010	192	398	590	\$ 111,044	\$ 80,403	\$ 191,447
2011	156	541	697	84,947	73,482	158,429
2012	175	147	322	112,704	32,189	144,893
2013	360	688	1,048	213,378	48,219	261,597
2014	396	585	981	279,531	37,251	316,782
2015	615	394	1,009	350,485	77,805	428,290
2016	528	744	1,272	367,000	74,537	441,537
2017	847	1,479	2,326	690,000	205,000	895,000
2018	608	585	1,193	512,000	335,000	847,000
2019	776	914	1,690	538,000	284,000	822,000

New Residential Building Units Permitted



Investment in New Structures

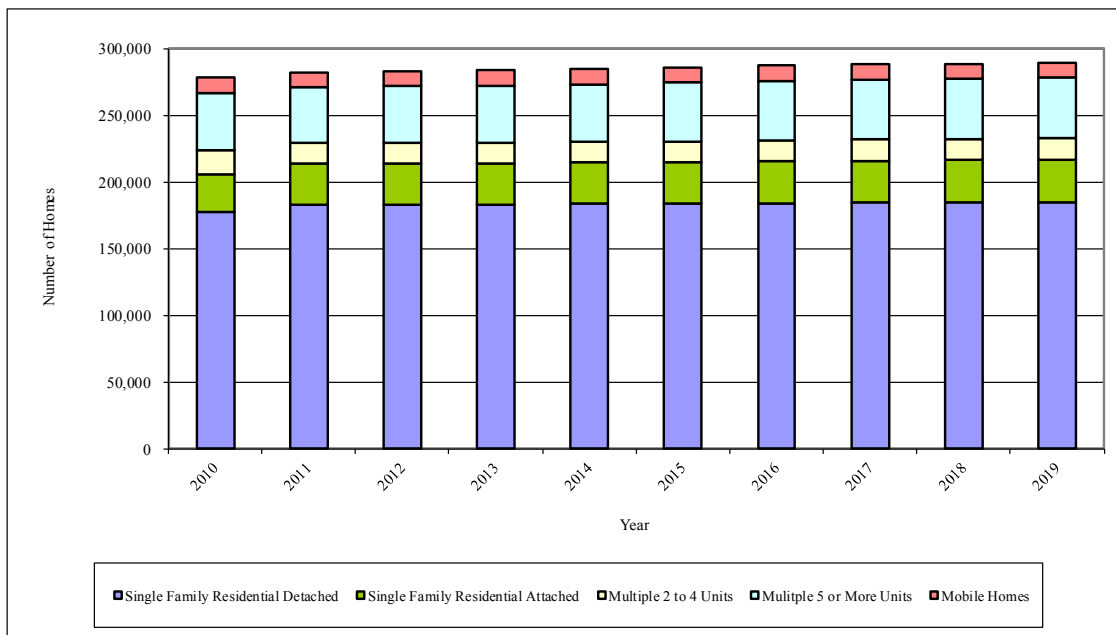


Note: Building Permit statistic updated 2017 to include number of permits, and total investment in residential and non-residential units; as more detailed breakdown is no longer accessible. Prior years are actual, current year forecasted.

Sources: 2019 Los Angeles County and Ventura County Economic Outlook

**Triunfo Sanitation District
Housing Stock Estimates - County of Ventura
Last Ten Calendar Years**

Fiscal Year	Single Family Residential Detached	Single Family Residential Attached	Multiple 2 to 4 Units	Multiple 5 or More Units	Mobile Homes	Total All Housing
2010	177,564	28,185	17,591	43,049	12,362	278,751
2011	182,857	30,922	15,286	41,879	11,324	282,268
2012	183,011	30,906	15,406	42,271	11,329	282,923
2013	183,151	30,966	15,560	42,561	11,337	283,575
2014	183,389	31,018	15,641	43,100	11,341	284,489
2015	183,775	31,038	15,759	43,890	11,346	285,808
2016	184,141	31,259	15,886	44,444	11,350	287,080
2017	184,761	31,270	15,953	44,738	11,352	288,074
2018	185,053	31,281	15,947	44,949	11,349	288,579
2019	184,929	31,539	15,981	45,848	11,350	289,647



Source: CA Dept. of Finance Demographic Research Unit, E-5 City/County Population & Housing Estimates

**Triunfo Sanitation District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Sanitation Services				
Fiscal Year	District Area (Square Miles)	Collection System (Miles)	Treatment Capacity (MGD)	Average Dry Weather Flow (MGD)
2010	50	120	4.70	3.30
2011	50	120	4.70	3.30
2012	50	120	4.70	3.30
2013	50	120	4.70	3.30
2014	50	120	4.70	3.30
2015	50	120	4.70	3.30
2016	50	120	4.70	3.30
2017	50	120	4.70	3.30
2018	50	120	4.70	3.30
2019	50	120	4.70	3.30

Potable Water Sales			
Fiscal Year	District Area (Square Miles)	Potable Water Capacity (MGM)	Potable Water System (Miles)
2010	50	82.72	50
2011	50	82.72	50
2012	50	82.72	50
2013	50	82.72	50
2014	50	82.72	50
2015	50	82.72	50
2016	50	82.72	50
2017	50	82.72	50
2018	50	82.72	50
2019	50	82.72	50

Recycled Water Sales			
Fiscal Year	District Area (Square Miles)	Recycled Water Capacity (MGM)	Recycled Water System (Miles)
2010	50	40.73	5
2011	50	40.73	5
2012	50	40.73	5
2013	50	40.73	5
2014	50	40.73	5
2015	50	40.73	5
2016	50	40.73	5
2017	50	40.73	5
2018	50	40.73	5
2019	50	40.73	5

MGD - Millions of Gallons per Day
MGM - Millions of Gallons per Month

Note: The District contracts with Ventura Regional Sanitation District for all administration, management and operation services.

Source: Triunfo Sanitation District

