

Las Virgenes – Triunfo Joint Powers Authority

Financial Statements and Independent Auditors' Reports

For the Years Ended June 30, 2017 and 2016

Las Virgenes-Triunfo Joint Powers Authority

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Las Virgenes-Triunfo Joint Powers Authority
Calabasas, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Las Virgenes-Triunfo Joint Powers Authority (the "JPA"), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 opinions on these financial statements based on our audits. We conducted our audits 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 audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the JPA as of June 30, 2017 and 2016, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 9 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the JPA's basic financial statements. The Schedule of Changes in Participants' Advance Accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements.

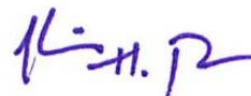
The Schedule of Changes in Participants' Advance Accounts is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 Schedule of Changes in Participants' Advance Accounts is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, on our consideration of the JPA'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 solely 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 the effectiveness of the JPA's 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 JPA's internal control over financial reporting and compliance.



Santa Ana, California
November 22, 2017



Kenneth H. Pun, CPA, CGMA
CPA Number: 88316



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Board of Directors
of the Las Virgenes-Triunfo Joint Powers Authority
Calabasas, California

We have audited, in accordance with the 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, the basic financial statements of the Las Virgenes-Triunfo Joint Power Authority (the "JPA"), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and have issued our report thereon dated November 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the JPA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the JPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the JPA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the JPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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To the Board of Directors
of the Las Virgenes-Triunfo Joint Powers Authority
Calabasas, California
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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "The Pun Group, LLP".

Santa Ana, California
November 22, 2017

Handwritten signature in blue ink that reads "K.H. Pun".

Kenneth H. Pun, CPA, CGMA
CPA Number: 88316

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Joint Powers Authority (JPA) annual financial report presents our analysis of the JPA's financial performance during the Fiscal Years that ended on June 30, 2016 and June 30, 2017. Please read it in conjunction with the Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The JPA's net position decreased by \$1.8 million or 1.9% during FY 2017 and by \$3.8 million or 3.9% during FY 2016.
- During FY17 the JPA's operating expenses, not including depreciation expense, increased \$0.8 million, or up by 6.0% and during FY 2016 it decreased by \$1.3 million or down by 8.4%.
- Billings to JPA participants increased to \$12.5 million during FY 2017 or by 8.7% more than the prior fiscal year and it decreased to \$11.5 million during FY 2016 or by 10.7% from prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to Las Virgenes – Triunfo Joint Powers Authority (JPA) financial statements. The JPA's basic financial statements comprise two components: Financial Statements and Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

BASIC FINANCIAL STATEMENTS

The Financial Statements of the JPA report information about the JPA using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Comparative Statements of Net Position (CSNP) includes all of the JPA's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to JPA creditors (liabilities). The CSNP also provides the basis for evaluating the capital structure of the JPA.

All of the current year's revenues and expenses are accounted for in the Comparative Statements of Revenues, Expenses and Changes in Net Position. These statements reflect the result of the JPA's operations over the past year.

The final Financial Statements are the Comparative Statements of Cash Flows. The primary purpose of this statement is to provide information about the JPA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE JOINT POWERS AUTHORITY

The financial statements provide information on whether the District, as a whole, is in a stronger or weaker financial position compared to the last year. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide a means to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

The JPA has seen a slight drought rebound but is still experiencing decreased sanitation flows and decreased sales of recycled water. In FY 2016-17 the JPA Board approved a Basis of Design Report for indirect potable reuse using Las Virgenes Reservoir, as the preferred approach to maximize the JPA's beneficial use of recycled water and minimize discharges to Malibu Creek, subsequently the effort was renamed Pure Water Project Las Virgenes – Triunfo. In FY 2017-18 the effort will continue with multiple studies, a potential acquisition of property, environmental reviews, design phases for a demonstration project, and continuing public outreach efforts.

NET POSITION

To begin our analysis, a summary of the JPA's Statement of Net Position is presented in Table 1.

TABLE 1
Condensed Statements of Net Position
(in thousands of dollars)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Current Assets	\$8,172	\$6,463	\$6,832
Capital Assets	<u>91,010</u>	<u>92,760</u>	<u>96,482</u>
Total Assets	<u>99,182</u>	<u>99,223</u>	<u>103,314</u>
Due to Participants	7,422	5,812	5,952
Other Liabilities	<u>750</u>	<u>651</u>	<u>880</u>
Total Liabilities	<u>8,172</u>	<u>6,463</u>	<u>6,832</u>
Total Net Position:	\$91,010	\$92,760	\$96,482

As can be seen from the table above, net position of the JPA is equivalent to capital assets. Everything else is either a current asset or a liability. The decrease in Net Position (and capital assets) is due to depreciation expense exceeding participant capital contributions.

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

TABLE 2
Condensed Statements of Revenues, Expenses
and Changes in Net Position
(in thousands of dollars)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Recycled Water Sales	\$2,058	\$2,287	\$2,135
Other Operating Revenue	110	70	226
Total Operating Revenue	<u>2,168</u>	<u>2,357</u>	<u>2,361</u>
Depreciation Expense	5,629	6,492	6,318
Other Operating Expense	14,755	13,919	15,190
Total Operating Expense	<u>20,384</u>	<u>20,411</u>	<u>21,508</u>
Loss before Billings	-18,216	-18,054	-19,147
Billings to Participants	<u>12,542</u>	<u>11,540</u>	<u>12,929</u>
Non-Operating Revenue	45	22	13
Non-Operating Expense	<u>-554</u>	<u>-44</u>	<u>-167</u>
Net Loss before Capital Contributions	-6,183	-6,536	-6,372
Participant Capital Contributions	<u>4,433</u>	<u>2,814</u>	<u>3,657</u>
NET POSITION:			
Net Position - Beginning of Year	92,760	96,482	99,197
Change in Net Position	-1,750	-3,722	-2,715
Net Position – End of Year	<u>\$91,010</u>	<u>\$92,760</u>	<u>\$96,482</u>

As reflected in Table 2, FY 2017 revenue from recycled water sales decreased compared to prior fiscal year due to a 9.4% reduction in recycled water purchases from Las Virgenes Municipal Water District, which was offset by an increase in FY 2016 of wholesale water rates. Recycled water sales to Triunfo Sanitation District were 2.5% lower in FY 2017 than prior fiscal year. Total Operating Expenses not including depreciation, increased 6.0% in FY 2017 from prior fiscal year due to increased direct and allocated labor costs, including pension expenses. Billings to Participants increased as a result of the decrease in revenues and increase in expenses in FY 2017 compared to prior fiscal year.

Revenue from recycled water sales increased slightly due to an increase in wholesale water rates in FY 2016 compared to prior fiscal year. Revenue in FY 2016 was suppressed by a 13% reduction in recycled water purchases from Las Virgenes Municipal Water District. Recycled water sales to Triunfo Sanitation District were flat year-over-year. Operating expenses decreased from FY 2016 to prior fiscal year due to decreased sanitation flow to the Tapia Water Reclamation Facility.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of FY 2017 and FY 2016, the JPA had net capital assets of \$91.0 million and \$92.8 million as shown in Table 3.

TABLE 3
Capital Assets
(in thousands of dollars)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Land & Land Rights	12,259	12,259	12,259
Sewer & Treatment Plant	120,682	118,814	117,535
Compost Plant	71,196	70,972	63,275
Recycled Water System	34,013	33,349	31,845
Construction in Progress	<u>3,040</u>	<u>2,217</u>	<u>10,250</u>
Subtotal	241,190	237,611	235,164
Less Accumulated Depreciation	<u>-150,180</u>	<u>-144,851</u>	<u>-138,682</u>
Total Capital Assets	<u>91,010</u>	<u>92,760</u>	<u>96,482</u>

The following is a summary of some of the major improvements to the system during FY2017 and FY 2016.

TABLE 4
Major Capital Improvement Projects

	<u>FY 2017</u>
Centrate Equalization Tank	1,785
Tapia Primary Tank No.2-5 Rehabilitation	874
Tapia Gate & Drive Replacement	437
Recycled Water Storage Study	224
Facility Siting Study	177
Process Air Improvements	143
Rancho Las Virgenes Digester Cleaning and Repair	109
Tapia Water Reclamation Reliability Improvement	<u>109</u>
Total Major Projects	<u>\$3,858</u>
	<u>FY 2016</u>
Tapia Channel Mixing Improvements	\$1,105
Recycled Water Seasonal Storage Plan	526
Woodland Hills Golf Course Recycled Water Main Extension	378
Rancho Las Virgenes Compost Facility New Loader	163
Rancho Las Virgenes Digester Cleaning and Repair	162
Centrate Equalization Tank	<u>145</u>
Total Major Projects	<u>\$2,479</u>

LONG TERM DEBT

The JPA currently has no long-term debt. All funding is provided by the participating agencies.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our residents, customers and creditors with a general overview of the JPA's finances and to demonstrate the JPA's accountability for the money it receives. The responsibility for the JPA's accounting and financial reporting rests with the staff of the Las Virgenes Municipal Water District. If you have questions about this report or need additional financial information, contact the Las Virgenes Municipal Water District, Department of Finance and Administration, 4232 Las Virgenes Road, Calabasas, California, 91302.

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Las Virgenes-Triunfo Joint Powers Authority
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalent	\$ 6,007,921	\$ 4,352,680
Investments	976,730	1,000,650
Accounts receivable	955,388	889,662
Interest receivable	11,442	6,621
Inventories	177,904	175,108
Prepaid items	42,692	38,372
Total current assets	8,172,077	6,463,093
Noncurrent assets:		
Capital assets, not being depreciated	15,298,574	14,475,926
Capital assets, being depreciated, net	75,711,003	78,284,060
Total capital assets	91,009,577	92,759,986
Total noncurrent assets	91,009,577	92,759,986
Total assets	99,181,654	99,223,079
LIABILITIES		
Current liabilities:		
Accounts and contracts payable and accrued liabilities	749,697	651,396
Due to participants	7,422,380	5,811,697
Total current liabilities	8,172,077	6,463,093
Total liabilities	8,172,077	6,463,093
NET POSITION		
Investments in Capital Assets by Participants:		
Las Virgenes Municipal Water District	60,406,116	61,600,523
Triunfo Sanitation District	30,603,461	31,159,463
Investments in Capital Assets by Participants	91,009,577	92,759,986
Total net position	\$ 91,009,577	\$ 92,759,986

Las Virgenes-Triunfo Joint Powers Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Wholesale recycled water sales	\$ 2,057,700	\$ 2,286,663
Other income	110,537	69,678
Total operating revenues	<u>2,168,237</u>	<u>2,356,341</u>
OPERATING EXPENSES:		
Treatment plant	4,084,694	4,265,142
Recycled water transmission and distribution	1,296,104	1,113,484
Compost plant	2,452,065	2,352,036
Sewer	72,881	65,253
Depreciation	5,629,045	6,491,741
General and administrative	6,640,031	5,931,993
Other operating expenses	209,248	191,375
Total operating expenses	<u>20,384,068</u>	<u>20,411,024</u>
OPERATING (LOSS) BEFORE BILLINGS TO PARTICIPANTS	(18,215,831)	(18,054,683)
Billings to participants	<u>12,541,776</u>	<u>11,540,379</u>
OPERATING (LOSS)	(5,674,055)	(6,514,304)
NONOPERATING REVENUES (EXPENSES):		
Interest income	45,010	22,563
Other expenses	(528,443)	-
Loss on disposal of capital assets	(25,621)	(44,061)
Total nonoperating revenues (expenses)	<u>(509,054)</u>	<u>(21,498)</u>
NET (LOSS) BEFORE PARTICIPANTS' CAPITAL CONTRIBUTIONS	(6,183,109)	(6,535,802)
Participants' capital contributions	<u>4,432,700</u>	<u>2,814,137</u>
CHANGES IN NET POSITION	(1,750,409)	(3,721,665)
NET POSITION:		
Beginning of year	<u>92,759,986</u>	<u>96,481,651</u>
End of year	<u>\$ 91,009,577</u>	<u>\$ 92,759,986</u>

Las Virgenes-Triunfo Joint Powers Authority
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from participants	\$ 14,533,750	\$ 13,787,981
Cash paid to suppliers for operations	(14,792,198)	(14,144,789)
Other revenue	110,537	69,678
Net cash (used in) operating activities	<u>(147,911)</u>	<u>(287,130)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(4,304,341)	(2,814,135)
Capital contributions	4,432,700	2,814,137
Cash paid to participants	-	(140,423)
Cash received from participants	1,610,683	-
Net cash provided by (used in) capital and related financing activities	<u>1,739,042</u>	<u>(140,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	60,985	13,032
Purchase of investments	(1,000,000)	(1,000,000)
Cash receipts from sale of investments	1,003,125	1,007,652
Net cash provided by investing activities	<u>64,110</u>	<u>20,684</u>
Net change in cash and cash equivalents	1,655,241	(406,867)
CASH AND CASH EQUIVALENTS:		
Beginning of year	4,352,680	4,759,547
End of year	<u>\$ 6,007,921</u>	<u>\$ 4,352,680</u>
NONCASH INVESTING ACTIVITIES		
Change in fair value of investments	<u>\$ (5,268)</u>	<u>\$ 2,493</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating (loss)	\$ (5,674,055)	\$ (6,514,304)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation	5,629,045	6,491,741
Other expenses	(528,443)	-
Write-off of construction in progress	400,084	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(65,726)	(39,061)
(Increase) decrease in inventories	(2,796)	2,747
(Increase) decrease in prepaid items	(4,320)	759
Increase (decrease) in accounts and contracts payable and accrued liabilities	98,300	(229,012)
Net cash (used in) operating activities	<u>\$ (147,911)</u>	<u>\$ (287,130)</u>

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Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity

On October 12, 1964, Las Virgenes Municipal Water District (“LVMWD”) and Triunfo Sanitation District (“TSD”) established Las-Virgenes-Triunfo Joint Powers Authority (“JPA”) to construct, operate, maintain and provide for the replacement of a joint sewerage system to serve the Malibu Creek drainage area. The equity of each member is equal to the member’s pro-rata share of capital assets, net of depreciation. LVMWD has been the designated administering agent.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting and Financial Statements Presentation

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the JPA.

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the JPA. The JPA reports a measure of operations by presenting the change in net position from operations as "operating income" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the JPA as all activities other than financing and investing activities (interest expense and investment income), and other infrequently occurring transaction of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the JPA. All other expenses are reported as non-operating expenses.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

The JPA participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and assets-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is base on net asset value.

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

Fair Value Measurements

In accordance with U.S. GAAP, investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 — Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 — Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 — Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Accounts Receivable

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts, if any. The JPA also accrues an estimated amount for services that have been provided, but not yet billed. Management has evaluated the accounts and believes they are all collectible.

Inventories

Inventories consist of expendable supplies and are valued at average cost method.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Prepaid items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at acquisition value on the date donated. The JPA policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets, which range from 3 to 100 years.

Plant	10 - 100 Years
Machinery and equipment	3 - 25 Years

Capital assets are shared in accordance with each participant's capacity rights reserved in each component of the joint system. The allocation of costs for projects in process is based upon engineering estimates of the capacity rights and could increase or decrease when the final capacity rights are determined.

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Use of Restricted/Unrestricted Net Position

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Accounting Changes

GASB Statement No. 77, *Tax Abatement Disclosures*: this Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the JPA's fiscal year ended June 30, 2017. This statement did not have a significant impact on the JPA's financial statements for the years ended June 30, 2017 and 2016.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*: this Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental provide pensions through the pension plan). Application of this statement is effective for the JPA's fiscal year ended June 30, 2017. This statement did not have a significant impact on the JPA's financial statements for the years ended June 30, 2017 and 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*: this Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. Application of this statement is effective for the JPA's fiscal year ended June 30, 2017. This statement did not have a significant impact on the JPA's financial statements for the years ended June 30, 2017 and 2016.

GASB has issued Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the JPA's financial statements for the years ended June 30, 2017 and 2016.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 3 – Cash and Investments

At June 30, 2017 and 2016, cash and investments are reported in the accompanying statements of net position as follows:

	2017	2016
Cash and cash equivalent	\$ 6,007,921	\$ 4,352,680
Investments	976,730	1,000,650
	\$ 6,984,651	\$ 5,353,330

At June 30, 2017 and 2016, cash and investments consisted of the followings:

	2017	2016
Deposits:		
Pooled with Las Virgenes Municipal Water District	\$ 1,035,616	\$ 337,517
Investments:		
California Local Agency Investment Fund	4,972,305	4,015,163
U.S. Government Sponsored Agency Security	976,730	1,000,650
Total cash and investments	\$ 6,984,651	\$ 5,353,330

Demand Deposits

At June 30, 2017 and 2016, the carrying amounts of cash deposits were \$1,035,616 and \$337,517, respectively, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the LVMWD's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the LVMWD's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the LVMWD's name.

The fair value of pledged securities must equal at least 110% of the LVMWD's cash deposits. California law also allows institutions to secure the LVMWD's deposits by pledging first trust deed mortgage notes having a value of 150% of the LVMWD's total cash deposits. LVMWD may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. LVMWD, however, has not waived the collateralization requirements.

Local Agency Investment Fund

The JPA's investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- **Structured Notes** - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities** - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2017, the JPA had \$4,972,305 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to \$4,015,163 and 2.81% at June 30, 2016.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 3 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the JPA’s Investment Policy

The JPA follows LVMWD’s investment policy. The table below identifies the investment types that are authorized for the JPA by the California Government Code (or the LVMWD’s investment policy, where more restrictive). The table also identified certain provisions of the California Code (or the LVMWD’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds and Notes	5 Years	None	None
U.S. Government Sponsored Agency Securities	5 Years	None	None
Time Deposits	1 Year	25%	None
Repurchase Agreements	30 days	10%	None
California Local Agency Investment Fund (LAIF)	None	None	\$50,000,000
Bond issued by Local Agencies or States	5 Years	None	None
Money Market Mutual Funds	None	20%	10%
Certificates of Deposits	5 years	25%	\$250,000

Disclosures Relating to Fair Value Measurement

Information about the fair value measurement of the JPA’s investments is as follows:

	2017			2016		
	Significant Other Observable Input (Level 2)	Uncategorized	Total	Significant Other Observable Input (Level 2)	Uncategorized	Total
	California Local Agency Investment Fund	\$ -	\$ 4,972,305	\$ 4,972,305	\$ 4,015,163	\$ -
U.S. Government Sponsored Agency Security	976,730	-	976,730	1,000,650	-	1,000,650
Total Investments	\$ 976,730	\$ 4,972,305	\$ 5,949,035	\$ 1,000,650	\$ 4,015,163	\$ 5,015,813

Disclosures Relating to 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 JPA 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 is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The JPA’s investments of \$5,949,035 and \$5,015,813 at June 30, 2017 and 2016, respectively, made up of investments in LAIF and U.S. Government Sponsored Agency Securities at June 30, 2017 and 2016. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investment in U.S. Government Sponsored Agency Securities matures in the year ending June 30, 2021, four years from June 30, 2017.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 3 – Cash and Investments (Continued)

Disclosures Relating to 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. Investments in LAIF in the amounts of \$4,972,305 and \$4,015,163 at June 30, 2017 and 2016, respectively, are unrated. Investment in U.S. Government Sponsored Agency Securities in the amount of \$976,730 and \$1,000,650 are unrated and rated AA+ at June 30, 2017 and 2016, respectively.

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments 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 investment or collateral securities that are in the possession of another party. The California Government Code and LVMWD's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools (such as LAIF).

Note 4 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Reclassification	Balance June 30, 2017
Capital assets, not being depreciated:					
Land and land rights	\$ 12,258,791	\$ -	\$ -	\$ -	\$ 12,258,791
Construction in progress	2,217,135	4,304,341	(400,084)	(3,081,609)	3,039,783
Total capital assets, not being depreciated	<u>14,475,926</u>	<u>4,304,341</u>	<u>(400,084)</u>	<u>(3,081,609)</u>	<u>15,298,574</u>
Capital assets, being depreciated:					
Sewer and treatment plant	118,814,505	-	(268,939)	2,136,266	120,681,832
Compost plant and farm	70,971,846	-	(56,548)	280,994	71,196,292
Recycled water system	33,348,740	-	-	664,349	34,013,089
Total capital assets, being depreciated	<u>223,135,091</u>	<u>-</u>	<u>(325,487)</u>	<u>3,081,609</u>	<u>225,891,213</u>
Less: accumulated depreciation					
Sewer and treatment plant	(79,279,313)	(2,793,048)	263,514	-	(81,808,847)
Compost plant and farm	(46,378,352)	(1,894,081)	36,352	-	(48,236,081)
Recycled water system	(19,193,366)	(941,916)	-	-	(20,135,282)
Total accumulated depreciation	<u>(144,851,031)</u>	<u>(5,629,045)</u>	<u>299,866</u>	<u>-</u>	<u>(150,180,210)</u>
Total capital assets, being depreciated, net	<u>78,284,060</u>	<u>(5,629,045)</u>	<u>(25,621)</u>	<u>3,081,609</u>	<u>75,711,003</u>
Total capital assets, net	<u>\$ 92,759,986</u>	<u>\$ (1,324,704)</u>	<u>\$ (425,705)</u>	<u>\$ -</u>	<u>\$ 91,009,577</u>

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 4 – Capital Assets (Continued)

Summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Reclassification	Balance June 30, 2016
Capital assets, not being depreciated:					
Land and land rights	\$ 12,258,791	\$ -	\$ -	\$ -	\$ 12,258,791
Construction in progress	10,250,247	2,814,135	-	(10,847,247)	2,217,135
Total capital assets, not being depreciated	<u>22,509,038</u>	<u>2,814,135</u>	<u>-</u>	<u>(10,847,247)</u>	<u>14,475,926</u>
Capital assets, being depreciated:					
Sewer and treatment plant	117,534,566	-	-	1,279,939	118,814,505
Compost plant and farm	63,275,176	-	(367,174)	8,063,844	70,971,846
Recycled water system	31,845,276	-	-	1,503,464	33,348,740
Total capital assets, being depreciated	<u>212,655,018</u>	<u>-</u>	<u>(367,174)</u>	<u>10,847,247</u>	<u>223,135,091</u>
Less: accumulated depreciation					
Sewer and treatment plant	(75,900,762)	(3,378,551)	-	-	(79,279,313)
Compost plant and farm	(44,506,034)	(2,195,433)	323,115	-	(46,378,352)
Recycled water system	(18,275,609)	(917,757)	-	-	(19,193,366)
Total accumulated depreciation	<u>(138,682,405)</u>	<u>(6,491,741)</u>	<u>323,115</u>	<u>-</u>	<u>(144,851,031)</u>
Total capital assets, being depreciated, net	<u>73,972,613</u>	<u>(6,491,741)</u>	<u>(44,059)</u>	<u>10,847,247</u>	<u>78,284,060</u>
Total capital assets, net	<u>\$ 96,481,651</u>	<u>\$ (3,677,606)</u>	<u>\$ (44,059)</u>	<u>\$ -</u>	<u>\$ 92,759,986</u>

Note 5 – Due to Participants

During the year ended June 30, 2017 and 2016, additional advances received from the participants were in the amount of \$19,300,025 and \$14,480,333, respectively. The advances received from the participants are used to pay for the operating, capital, and administrative cost of the JPA. At June 30, 2017 and 2016, due to participants were in the amount of \$7,422,380 and \$5,811,697, respectively.

Note 6 – Participant Contributions

Cost of the JPA is shared by the participants based on the following methodology. Variable operation and maintenance cost are prorated between the participants based on the average sewage flow contributed to the joint system. Fixed operating and maintenance cost are prorated between the participants based on the participants' respective capacity rights in the facility. Capital costs are prorated between the participants based on the participants' respective capacity rights in the facility. Annual audit costs are shared equally. General and administrative costs are based on the actual cost of labor. Lastly, land acquisition costs are shared based on the capacity rights in the project for which the land is acquired. As of January 1, 2005, the joint system, except for the sewer collection system, is allocated by 70.6% to LVMWD and 29.4% to TSD.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 6 – Participant Contributions (Continued)

The following is the summary of the contributions made by the participants for the years ended June 30, 2017 and 2016:

		2017			
		Operating Contribution	Percentage	Capital Contribution	Percentage
	LVMWD	\$ 8,483,081	67.6%	\$ 3,124,743	70.5%
	TSD	4,058,695	32.4%	1,307,957	29.5%
	Total	\$ 12,541,776	100.0%	\$ 4,432,700	100.0%
		2016			
		Operating Contribution	Percentage	Capital Contribution	Percentage
	LVMWD	\$ 7,623,145	66.1%	\$ 1,986,781	70.6%
	TSD	3,917,234	33.9%	827,356	29.4%
	Total	\$ 11,540,379	100.0%	\$ 2,814,137	100.0%

Note 7 – Risk Management

The JPA is covered under the LVMWD’s insurance policies. The LVMWD retained Tolman & Wiker Insurance Service, LLC for general liability, property, auto and physical damage. The coverage for the general liability provided for \$11 million per occurrence and \$61 million for the aggregate, with a \$50,000 self insured retention limit per occurrence. The coverage for the property provided for \$61 million per occurrence with a self insured retention limit of \$50,000 per occurrence.

During the past three fiscal years, none of the above programs of protection have had settlement or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability cover from coverage in the prior year.

Note 8 – Commitment and Contingencies

Lawsuits

The JPA is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the JPA’s legal counsel and the JPA’s management that resolution of these matters will not have a material adverse effect on the financial condition of the JPA.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 8 – Commitment and Contingencies (Continued)

Commitments

As of June 30, 2017, the JPA had five material construction commitments evidenced by contractual commitments with contractors in the amount of \$776,831.

Project Name	<u>Contractual Commitment</u>
Centrate Tank Equalization Project	\$ 122,620
Reservoir Water Study	189,974
Tapia Process Air Pipeline Evaluation	148,438
Calleguas Intertie Design	190,883
Amendment Bid Design Services	<u>124,915</u>
Total	<u><u>\$ 776,831</u></u>

As of June 30, 2016, the JPA had five material construction commitments evidenced by contractual commitments with contractors in the amount of \$2,319,964.

SUPPLEMENTARY INFORMATION

Las Virgenes-Triunfo Joint Powers Authority
Schedule of Changes in Participants' Advance Accounts
For the Years Ended June 30, 2017 and 2016

	Construction Funds		Operating Funds	
	Tapia Plant and Truck Sewers		Operations and Maintenance	
	Las Virgenes Municipal Water District	Triunfo Sanitation District	Las Virgenes Municipal Water District	Triunfo Sanitation District
Due to (from) Participants - July 1, 2016	\$ 161,397	\$ (63,101)	\$ 2,319,689	\$ 1,076,196
Advance from participants	364,378	697,231	8,492,174	4,658,798
Interfund activities with participants	-	-	-	-
Constructions costs allocated	(218,879)	(91,148)	-	-
Change in fair market value of LAIF	(17,222)	(11,315)	-	-
Change in fair market value of LAIF - Prior year	(2,368)	(775)	-	-
Grant income	-	-	-	-
Other miscellaneous income	-	-	-	-
Billings to participants for operating expenses	-	-	(8,492,174)	(4,067,010)
Billings to participants from replacement fund interest income	-	-	-	-
Interest income from (to) participants	2,229	1,464	-	-
Adjustment billing to participants for operating fund	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	-	(688,676)
Due to (from) Participants - June 30, 2017	<u>\$ 289,535</u>	<u>\$ 532,356</u>	<u>\$ 2,319,689</u>	<u>\$ 979,308</u>

(Continued)

	Construction Funds		Operating Funds	
	Tapia Plant and Truck Sewers		Operations and Maintenance	
	Las Virgenes Municipal Water District	Triunfo Sanitation District	Las Virgenes Municipal Water District	Triunfo Sanitation District
Due to (from) Participants - July 1, 2016	\$ 338,007	\$ 190,448	\$ 2,319,846	\$ 1,061,709
Advance from participants	26,442	(168,929)	7,626,632	4,664,471
Constructions costs allocated	(459,666)	(191,419)	-	-
Change in fair market value of LAIF	2,368	775	-	-
Change in fair market value of LAIF - Prior year	(1,317)	(328)	-	-
Grant income	-	-	-	-
Other miscellaneous income	254,746	106,085	-	-
Billings to participants for operating expenses	-	-	(7,626,632)	(3,920,982)
Billings to participants from replacement fund interest income	-	-	-	-
Interest income from (to) participants	817	267	-	-
Adjustment billing to participants for operating fund	-	-	(157)	(65)
Recycled water billings to Triunfo Sanitation District	-	-	-	(728,937)
Due to (from) Participants - June 30, 2017	<u>\$ 161,397</u>	<u>\$ (63,101)</u>	<u>\$ 2,319,689</u>	<u>\$ 1,076,196</u>

(Continued)

Las Virgenes-Triunfo Joint Powers Authority
Schedule of Changes in Participants' Advance Accounts (Continued)
For the Years Ended June 30, 2017 and 2016

	Operating Funds		Total	
	Replacement of			
	Las Virgenes Municipal Water District	Triunfo Sanitation District	2017	2016
Due to (from) Participants - July 1, 2015	\$ 1,074,315	\$ 1,243,201	\$ 5,811,697	\$ 5,952,119
Advance from participants	3,309,667	1,777,777	19,300,025	14,480,333
Interfund activities with participants	-	-	-	-
Constructions costs allocated	(2,905,863)	(1,216,810)	(4,432,700)	(2,814,137)
Change in fair market value of LAIF	-	-	(28,537)	3,143
Change in fair market value of LAIF - Prior year	-	-	(3,143)	(1,645)
Grant income	-	-	-	38,936
Other miscellaneous income	1,269	528	1,797	421,402
Billings to participants for operating expenses	-	-	(12,559,184)	(11,547,614)
Billings to participants from replacement fund interest income	9,093	8,315	17,408	7,235
Interest income from (to) participants	-	-	3,693	1,084
Adjustment billing to participants for operating fund	-	-	-	(222)
Recycled water billings to Triunfo Sanitation District	-	-	(688,676)	(728,937)
Due to (from) Participants - June 30, 2016	<u>\$ 1,488,481</u>	<u>\$ 1,813,011</u>	<u>\$ 7,422,380</u>	<u>\$ 5,811,697</u>

(Concluded)

	Operating Funds		Total	
	Replacement of			
	Las Virgenes Municipal Water District	Triunfo Sanitation District	2016	2015
Due to (from) Participants - July 1, 2015	\$ 992,546	\$ 1,049,563	\$ 5,952,119	\$ 6,533,985
Advance from participants	1,535,145	796,572	14,480,333	16,629,994
Constructions costs allocated	(1,527,115)	(635,937)	(2,814,137)	(3,656,798)
Change in fair market value of LAIF	-	-	3,143	1,645
Change in fair market value of LAIF - Prior year	-	-	(1,645)	(1,703)
Grant income	27,489	11,447	38,936	-
Other miscellaneous income	42,763	17,808	421,402	-
Billings to participants for operating expenses	-	-	(11,547,614)	(12,935,275)
Billings to participants from replacement fund interest income	3,487	3,748	7,235	5,689
Interest income from (to) participants	-	-	1,084	1,123
Adjustment billing to participants for operating fund	-	-	(222)	-
Recycled water billings to Triunfo Sanitation District	-	-	(728,937)	(626,542)
Due to (from) Participants - June 30, 2016	<u>\$ 1,074,315</u>	<u>\$ 1,243,201</u>	<u>\$ 5,811,697</u>	<u>\$ 5,952,119</u>

(Concluded)

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