

Las Virgenes – Triunfo Joint Powers Authority

Financial Statements and Independent Auditors' Reports

For the Years Ended June 30, 2021 and 2020

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 financial statements of the Las Virgenes-Triunfo Joint Powers Authority (the "JPA"), which comprise the statements of net position as of June 30, 2021 and 2020, 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 basic 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

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, 2021 and 2020, 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.

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 through 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 December 6, 2021, 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
December 6, 2021



Coley Delaney, CPA
CPA Number: 115598



**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 financial statements of the Las Virgenes-Triunfo Joint Power Authority (the "JPA"), which comprise the statements of net position as of June 30, 2021 and 2020, 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 basic financial statements and have issued our report thereon dated December 6, 2021.

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") as a basis for determining 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 financial statements. 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*.

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 PwC Group, LLP".

Santa Ana, California
December 6, 2021

Handwritten signature in blue ink that reads "Coley Delaney".

Coley Delaney, CPA
CPA Number: 115598

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, 2021 and June 30, 2020. Please read it in conjunction with the Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The JPA’s net position increased by \$1.2 million or 1.28% during FY 2021, this net position represented an increase of \$4.7 million or 5.0% over FY 2019 and an increase of \$7.2 million or 7.88% over FY 2018.
- During FY 2021 the JPA’s operating expenses, not including depreciation expense, increased \$3.4 million, or by 18.09% over FY 2019, FY 2021 operating expenses showed an increase of \$5.9 million or 37.0% and \$6.2 million or 39.78% over FY 2019 and FY 2018 respectively.
- Billings to JPA participants increased by \$6.0 million during FY 2021 or 31.7% more than the prior fiscal year, it increased \$5.3 million or 38.58% compared to FY 2019 and increased \$5.7 million or 43.25% over FY 2018.

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 FY 2020-21 recycled water sales and sanitation reflect a long-term trend of reduced water usage that began with the 2011-2017 drought. Customer behaviors that changed during the drought, and the JPA’s messaging promoting water use efficiency as a way of life, have contributed to a new normal of lower than long-term historical averages of water use that was seen in the current fiscal year.

Actions by the JPA during FY 2020-21 continued to reflect the change in focus which began in FY 2017-18 when the JPA Board approved the Basis of Design Report for indirect potable reuse using Las Virgenes Reservoir. During that time, the JPA Board also took action to minimize the number of new recycled water connections and focused efforts on the efficient use of recycled water. These efforts will ultimately provide the resourced necessary to support the indirect potable reuse project, now known as Pure Water Project Las Virgenes – Triunfo. During FY 2020-21 included the opening of a demonstration project on Las Virgenes Municipal Water District headquarters property.

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)

	FY 2021	FY 2020	FY 2019
Current Assets	\$ 7,439	\$ 13,990	\$ 10,509
Capital Assets	98,362	97,127	93,680
Total Assets	105,801	111,117	104,189
Due to Participants	5,417	12,532	8,187
Other Liabilities	2,022	1,462	2,323
Total Liabilities	7,439	13,994	10,510
Net Position	\$ 98,362	\$ 97,123	\$ 93,679

The increase in Net Position (and capital assets) is primarily due to an increase in capitalized projects and expenditures less than the participants’ contribution.

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)

	FY 2021	FY 2020	FY 2019
Recycled Water Sales	\$ 2,638	\$ 2,397	\$ 2,069
Other Operating Revenue	52	47	46
Total Operating Revenue	2,690	2,444	2,115
Depreciation Expense	5,800	5,624	5,721
Other Operating Expense	21,915	18,559	15,990
Total Operating Expense	27,715	24,183	21,711
Operating Loss Before Billings to Participants	(25,025)	(21,739)	(19,596)
Billings to Participants	19,000	13,041	13,710
Non-operating Revenues/ Expenses	228	3,070	162
Net Loss Before Participants' Capital Contributions	(5,796)	(5,628)	(5,724)
Participant Capital Contributions	7,035	9,072	8,229
Change in Net Position	1,239	3,444	2,504
Net Position-Beginning of Year	97,123	93,679	91,175
Net Position-End of Year	\$ 98,362	\$ 97,123	\$ 93,679

As reflected in Table 2, FY 2021 revenue from recycled water sales increased by \$0.25 million or 10.11% compared to prior fiscal year primarily due to a 11.97% increase in recycled water purchases from Las Virgenes Municipal Water District. Total Operating Expenses not including depreciation, increased 18.1% in FY 2021 from prior fiscal year due to increased direct and allocated labor costs, including pension expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of FY 2021, the JPA had net capital assets of \$98.4 million compared to \$97.1 million for FY 2020 as shown in Table 3.

TABLE 3
Capital Assets
(in thousands of dollars)

	FY 2021	FY 2020	FY 2019
Land & Land Rights	14,368	14,368	14,368
Sewer & Treatment Plant	130,624	129,570	123,688
Compost Plant	78,707	76,218	76,219
Recycled Water System	35,509	34,819	34,819
Construction in Progress	7,739	9,302	6,111
Advanced Water System	4,366	-	-
Subtotal	271,313	264,277	255,205
Accumulated Depreciation	172,951	167,150	161,526
Total Capital Assets	\$ 98,362	\$ 97,127	\$ 93,679

Table 4 below is a summary of some of the major improvements to the system during FY 2021, FY 2020, and FY 2019.

Table 4
Major Capital Improvement Projects
(in thousands of dollars)

	FY 2021
Rancho LV Digester Cleaning/Repair	\$ 1,748
Pure Water Demonstration	1,429
Tapia Pgmble Logic Controller	1,249
Cordillera Tank Rehabilitation	927
Tapia Hypochlorite Tank Replacement	619
Total Major Projects FY 2021	\$ 5,972
	FY 2020
Process Air Improvements	\$ 3,640
Pure Water Demonstration Project	3,428
Rancho Las Virgenes Digester Cleaning and Repair	578
Tapia Headworks White Room	318
Summer Season TMDL Compliance	260
Total Major Projects FY 2020	\$ 8,224

Table 4 (cont)
Major Capital Improvement Projects
(in thousands of dollars)

	FY 2019
Centrate Equalization Tank	\$ 2,176
Tapia Rehabilitation	1,934
Rancho Las Virgenes Digester Cleaning and Repair	1,901
Rancho Lightine Efficiency Upgrade	358
Tapia Reliability Improvements	138
Pure Water Demonstration Project	131
Total Major Projects FY 2019	\$ 6,638

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, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalent	\$ 4,159,622	\$ 10,746,445
Investments	762,147	805,296
Accounts receivable	2,289,417	2,216,387
Interest receivable	31,505	33,722
Prepaid items	196,065	188,328
Total current assets	7,438,756	13,990,178
Noncurrent assets:		
Capital assets, not being depreciated	22,106,730	23,670,352
Capital assets, being depreciated, net	76,255,754	73,456,585
Total capital assets	98,362,484	97,126,937
Total noncurrent assets	98,362,484	97,126,937
Total assets	105,801,240	111,117,115
LIABILITIES		
Current liabilities:		
Accounts and contracts payable and accrued liabilities	2,021,757	1,462,038
Due to participants	5,416,999	12,531,959
Total current liabilities	7,438,756	13,993,997
Total liabilities	7,438,756	13,993,997
NET POSITION		
Investments in Capital Assets by Participants:		
Las Virgenes Municipal Water District	65,742,118	64,831,080
Triunfo Sanitation District	32,620,366	32,295,857
Investments in Capital Assets by Participants	98,362,484	97,126,937
Unrestricted (deficit)	-	(3,819)
Total net position	\$ 98,362,484	\$ 97,123,118

Las Virgenes-Triunfo Joint Powers Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Wholesale recycled water sales	\$ 2,638,344	\$ 2,396,775
Other income	52,229	47,367
Total operating revenues	<u>2,690,573</u>	<u>2,444,142</u>
OPERATING EXPENSES:		
Treatment plant	4,569,128	4,860,287
Recycled water transmission and distribution	2,366,095	1,270,102
Compost plant	2,945,751	2,513,607
Sewer	222,638	45,201
Depreciation	5,799,831	5,624,458
General and administrative	11,600,875	9,658,613
Other operating expenses	211,152	211,324
Total operating expenses	<u>27,715,470</u>	<u>24,183,592</u>
OPERATING (LOSS) BEFORE BILLINGS TO PARTICIPANTS	(25,024,897)	(21,739,450)
Billings to participants	<u>19,000,638</u>	<u>13,040,977</u>
OPERATING (LOSS)	(6,024,259)	(8,698,473)
NONOPERATING REVENUES (EXPENSES):		
Interest income (expense)	50,601	131,787
Other revenues (expenses)	177,647	2,938,410
Total nonoperating revenues (expenses)	<u>228,248</u>	<u>3,070,197</u>
NET (LOSS) BEFORE PARTICIPANTS' CAPITAL CONTRIBUTIONS	(5,796,011)	(5,628,276)
Participants' capital contributions	<u>7,035,377</u>	<u>9,071,803</u>
CHANGES IN NET POSITION	1,239,366	3,443,527
NET POSITION:		
Beginning of year	97,123,118	93,679,591
End of year	<u>\$ 98,362,484</u>	<u>\$ 97,123,118</u>

Las Virgenes-Triunfo Joint Powers Authority
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from participants	\$ 21,565,952	\$ 13,905,174
Cash paid to suppliers for operations	(21,363,657)	(19,553,074)
Other revenue	52,229	47,367
Net cash provided by (used in) operating activities	<u>254,524</u>	<u>(5,600,533)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other revenues	177,647	2,938,410
Net cash provided by noncapital financing activities	<u>177,647</u>	<u>2,938,410</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(7,035,378)	(9,071,804)
Capital contributions	7,035,377	9,071,803
Net cash received from (paid to) participants	(7,114,961)	4,344,700
Net cash provided by capital and related financing activities	<u>(7,114,962)</u>	<u>4,344,699</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	95,968	360,641
Net cash provided by investing activities	<u>95,968</u>	<u>360,641</u>
Net change in cash and cash equivalents	(6,586,823)	2,043,217
CASH AND CASH EQUIVALENTS:		
Beginning of year	10,746,445	8,703,228
End of year	<u>\$ 4,159,622</u>	<u>\$ 10,746,445</u>
NONCASH INVESTING ACTIVITIES		
Change in fair value of investments	<u>\$ 27,147</u>	<u>\$ 70,296</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating (loss)	\$ (6,024,259)	\$ (8,698,473)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	5,799,831	5,624,458
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(73,030)	(1,532,578)
(Increase) decrease in inventories	-	-
(Increase) decrease in prepaid items	(7,737)	(133,248)
Increase (decrease) in accounts and contracts payable and accrued liabilities	559,719	(860,692)
Net cash provided by (used in) operating activities	<u>\$ 254,524</u>	<u>\$ (5,600,533)</u>

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Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

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.

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.

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 based 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

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between all other elements in the statement of net position and may 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.

Accounting Changes

During fiscal year ended June 30, 2021, the JPA implemented the following new GASB pronouncements:

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Application of this statement did not have a material effect on the JPA's financial statements for the fiscal year ending June 30, 2021.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Application of this statement did not have a material effect on the JPA's financial statements for the fiscal year ending June 30, 2021.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash and Investments

At June 30, 2021 and 2020, cash and investments are reported in the accompanying statements of net position as follows:

	2021	2020
Cash and cash equivalents	\$ 4,159,622	\$ 10,746,445
Investments	762,147	805,296
	\$ 4,921,769	\$ 11,551,741

At June 30, 2021 and 2020, cash and investments consisted of the followings:

	2021	2020
Deposits:		
Pooled with Las Virgenes Municipal Water District	\$ 404,635	\$ 1,832,760
Investments:		
California Local Agency Investment Fund	3,754,987	8,913,685
U.S. Government Sponsored Agency Security	762,147	805,296
Total cash and investments	\$ 4,921,769	\$ 11,551,741

Demand Deposits

At June 30, 2021 and 2020, the carrying amounts of cash deposits were \$404,635 and \$1,832,760, 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.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash and Investments (Continued)

Local Agency Investment Fund (Continued)

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

As of June 30, 2021, the JPA had \$3,754,987 invested in LAIF, which had invested 1.10% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to \$8,913,685 and 3.37% at June 30, 2020.

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:

	2021			2020				
	Significant Other Observable Input (Level 2)		Uncategorized	Total	Significant Other Observable Input (Level 2)		Uncategorized	Total
California Local Agency Investment Fund	\$ -	\$ 3,754,987	\$ 3,754,987	\$ -	\$ 8,913,685	\$ 8,913,685		
U.S. Government Sponsored Agency Security	762,147	-	762,147	805,296	-	805,296		
Total Investments	\$ 762,147	\$ 3,754,987	\$ 4,517,134	\$ 805,296	\$ 8,913,685	\$ 9,718,981		

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

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.

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

The JPA’s investments of \$4,517,134 and \$9,718,981 at June 30, 2021 and 2020, respectively, made up of investments in LAIF and U.S. Government Sponsored Agency Securities at June 30, 2021 and 2020. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. The investment in U.S. Government-Sponsored Agency Securities matures in the year ending June 30, 2021.

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 \$3,754,987 and \$8,913,685 at June 30, 2021 and 2020, respectively, are unrated. Investment in U.S. Government Sponsored Agency Securities in the amount of \$762,147 and \$805,296 at June 30, 2021 and 2020, respectively, are unrated.

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

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Reclassification	Balance June 30, 2021
Capital assets, not being depreciated:					
Land and land rights	\$ 14,368,150	\$ -	\$ -	\$ -	\$ 14,368,150
Construction in progress	9,302,202	7,035,378	-	(8,599,000)	7,738,580
Total capital assets, not being depreciated	<u>23,670,352</u>	<u>7,035,378</u>	<u>-</u>	<u>(8,599,000)</u>	<u>22,106,730</u>
Capital assets, being depreciated:					
Sewer and treatment plant	129,569,257	-	-	1,054,660	130,623,917
Compost plant and farm	76,218,777	-	-	2,488,521	78,707,298
Recycled water system	34,819,404	-	-	689,679	35,509,083
Advanced water system	-	-	-	4,366,140	4,366,140
Total capital assets, being depreciated	<u>240,607,438</u>	<u>-</u>	<u>-</u>	<u>8,599,000</u>	<u>249,206,438</u>
Less: accumulated depreciation					
Sewer and treatment plant	(90,632,349)	(3,209,517)	-	-	(93,841,866)
Compost plant and farm	(53,478,695)	(1,584,112)	-	-	(55,062,807)
Recycled water system	(23,039,809)	(962,541)	-	-	(24,002,350)
Advanced water system	-	(43,661)	-	-	(43,661)
Total accumulated depreciation	<u>(167,150,853)</u>	<u>(5,799,831)</u>	<u>-</u>	<u>-</u>	<u>(172,950,684)</u>
Total capital assets, being depreciated, net	<u>73,456,585</u>	<u>(5,799,831)</u>	<u>-</u>	<u>8,599,000</u>	<u>76,255,754</u>
Total capital assets, net	<u>\$ 97,126,937</u>	<u>\$ 1,235,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,362,484</u>

Las Virgenes-Triunfo Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 4 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Reclassification	Balance June 30, 2020
Capital assets, not being depreciated:					
Land and land rights	\$ 14,368,150	\$ -	\$ -	\$ -	\$ 14,368,150
Construction in progress	6,110,992	9,071,804	-	(5,880,594)	9,302,202
Total capital assets, not being depreciated	<u>20,479,142</u>	<u>9,071,804</u>	<u>-</u>	<u>(5,880,594)</u>	<u>23,670,352</u>
Capital assets, being depreciated:					
Sewer and treatment plant	123,688,663	-	-	5,880,594	129,569,257
Compost plant and farm	76,218,777	-	-	-	76,218,777
Recycled water system	34,819,404	-	-	-	34,819,404
Total capital assets, being depreciated	<u>234,726,844</u>	<u>-</u>	<u>-</u>	<u>5,880,594</u>	<u>240,607,438</u>
Less: accumulated depreciation					
Sewer and treatment plant	(87,513,966)	(3,118,383)	-	-	(90,632,349)
Compost plant and farm	(51,931,306)	(1,547,389)	-	-	(53,478,695)
Recycled water system	(22,081,123)	(958,686)	-	-	(23,039,809)
Total accumulated depreciation	<u>(161,526,395)</u>	<u>(5,624,458)</u>	<u>-</u>	<u>-</u>	<u>(167,150,853)</u>
Total capital assets, being depreciated, net	<u>73,200,449</u>	<u>(5,624,458)</u>	<u>-</u>	<u>5,880,594</u>	<u>73,456,585</u>
Total capital assets, net	<u>\$ 93,679,591</u>	<u>\$ 3,447,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,126,937</u>

Note 5 – Due to Participants

During the year ended June 30, 2021 and 2020, additional advances received from the participants were in the amount of \$19,612,743 and \$25,272,164, respectively. The advances received from the participants are used to pay for the operating, capital, and administrative cost of the JPA. At June 30, 2021 and 2020, due to participants were in the amount of \$5,416,999 and \$12,531,959, 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, 2021 and 2020

Note 6 – Participant Contributions (Continued)

The following is the summary of the contributions made by the participants for the years ended June 30, 2021 and 2020:

		2021			
		Operating Contribution	Percentage	Capital Contribution	Percentage
	LVMWD	\$ 13,005,183	68.4%	\$ 4,966,976	70.6%
	TSD	5,995,455	31.6%	2,068,401	29.4%
	Total	\$ 19,000,638	100.0%	\$ 7,035,377	100.0%
		2020			
		Operating Contribution	Percentage	Capital Contribution	Percentage
	LVMWD	\$ 8,920,048	68.4%	\$ 6,404,693	70.6%
	TSD	4,120,929	31.6%	2,667,110	29.4%
	Total	\$ 13,040,977	100.0%	\$ 9,071,803	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, 2021 and 2020

Note 8 – Commitment and Contingencies (Continued)

Commitments

As of June 30, 2021, the JPA had material construction commitments evidenced by contractual commitments with contractors in the amount of \$6,731,430.

Project Name	<u>Contractual Commitment</u>
Pure Water Project	\$ 5,290,303
SCADA Upgrade for Tapia	754,482
Various construction projects	<u>686,645</u>
Total	<u><u>\$ 6,731,430</u></u>

As of June 30, 2020, the JPA had material construction commitments evidenced by contractual commitments with contractors in the amount of \$12,565,438.

Project Name	<u>Contractual Commitment</u>
Pure Water Project Demonstration	<u>\$ 12,565,438</u>
Total	<u><u>\$ 12,565,438</u></u>

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SUPPLEMENTARY INFORMATION

Las Virgenes-Triunfo Joint Powers Authority
Schedule of Changes in Participants' Advance Accounts
For the Years Ended June 30, 2021 and 2020

	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, 2020	\$ 443,982	\$ 82,549	\$ 2,319,689	\$ 1,114,684
Advance from participants	-	-	13,117,862	6,328,764
Interfund activities with participants	-	-	-	-
Constructions costs allocated	(9,876)	(4,113)	-	-
Constructions reclass to operating expenses	-	-	-	-
Change in fair market value of LAIF	14,200	3,400	-	-
Change in fair market value of LAIF - prior year	(58,634)	(11,662)	-	-
Grant income	-	-	-	-
Other miscellaneous income	-	-	-	-
Billings to participants for operating expenses	-	-	(13,117,863)	(6,049,347)
Billings to participants from replacement fund interest income	-	-	-	-
Interest income from (to) participants	6,440	1,197	-	-
Adjustment billing to participants for operating fund	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	-	(646,629)
Due to (from) participants - June 30, 2021	<u>\$ 396,112</u>	<u>\$ 71,371</u>	<u>\$ 2,319,688</u>	<u>\$ 747,472</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, 2019	\$ 426,033	\$ 79,255	\$ 2,319,689	\$ 1,077,498
Advance from participants	-	14,224	9,126,529	4,755,428
Interfund activities with participants	-	-	-	-
Constructions costs allocated	(45,869)	(19,101)	-	-
Constructions reclass to operating expenses	-	-	-	-
Change in fair market value of LAIF	58,634	11,662	-	-
Change in fair market value of LAIF - prior year	(3,377)	(5,194)	-	-
Grant income	-	-	-	-
Other miscellaneous income	-	-	-	-
Billings to participants for operating expenses	-	-	(9,126,529)	(4,120,929)
Billings to participants from replacement fund interest income	-	-	-	-
Interest income from (to) participants	8,561	1,703	-	-
Adjustment billing to participants for operating fund	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	-	(597,313)
Due to (from) participants - June 30, 2020	<u>\$ 443,982</u>	<u>\$ 82,549</u>	<u>\$ 2,319,689</u>	<u>\$ 1,114,684</u>

(Continued)

Las Virgenes-Triunfo Joint Powers Authority
Schedule of Changes in Participants' Advance Accounts (Continued)
For the Years Ended June 30, 2021 and 2020

	Operating Funds		Replacement of Capital Assets	
	Las Virgenes Municipal Water District	Triunfo Sanitation District	Total	
			2021	2020
Due to (from) participants - July 1, 2020	\$ 4,751,734	\$ 3,819,321	\$ 12,531,959	\$ 8,187,259
Advance from participants	340,661	(174,544)	19,612,743	25,272,164
Interfund activities with participants	-	-	-	-
Constructions costs allocated	(4,957,100)	(2,064,288)	(7,035,377)	(9,071,803)
Constructions reclass to operating expenses	-	-	-	-
Change in fair market value of LAIF	-	-	17,600	70,296
Change in fair market value of LAIF - prior year	-	-	(70,296)	(8,571)
Grant income	-	-	-	-
Other miscellaneous income	-	-	-	-
Billings to participants for operating expenses	-	-	(19,167,210)	(13,247,458)
Billings to participants from replacement fund interest income	112,680	53,892	166,572	1,917,121
Interest income from (to) participants	-	-	7,637	10,264
Adjustment billing to participants for operating fund	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	(646,629)	(597,313)
Due to (from) participants - June 30, 2021	<u>\$ 247,975</u>	<u>\$ 1,634,381</u>	<u>\$ 5,416,999</u>	<u>\$ 12,531,959</u>

(Concluded)

	Operating Funds		Replacement of Capital Assets	
	Las Virgenes Municipal Water District	Triunfo Sanitation District	Total	
			2020	2019
Due to (from) participants - July 1, 2019	\$ 1,752,739	\$ 2,532,045	\$ 8,187,259	\$ 5,285,279
Advance from participants	8,030,806	3,345,177	25,272,164	25,109,541
Interfund activities with participants	-	-	-	-
Constructions costs allocated	(6,358,824)	(2,648,009)	(9,071,803)	(8,229,325)
Constructions reclass to operating expenses	-	-	-	-
Change in fair market value of LAIF	-	-	70,296	8,571
Change in fair market value of LAIF - prior year	-	-	(8,571)	33,867
Grant income	-	-	-	-
Other miscellaneous income	-	-	-	228,581
Billings to participants for operating expenses	-	-	(13,247,458)	(13,803,284)
Billings to participants from replacement fund interest income	1,327,013	590,108	1,917,121	92,766
Interest income from (to) participants	-	-	10,264	26,132
Adjustment billing to participants for operating fund	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	(597,313)	(564,869)
Due to (from) participants - June 30, 2020	<u>\$ 4,751,734</u>	<u>\$ 3,819,321</u>	<u>\$ 12,531,959</u>	<u>\$ 8,187,259</u>

(Concluded)

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