Las Virgenes-Triunfo
Joint Powers Authority

Independent Auditors' Reports
and Financial Statements

For the Years Ended June 30, 2015 and 2014

PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

Las Virgenes-Triunfo Joint Powers Authority

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PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

200 East Sandpointe Avenue
Suite 600
Santa Ana, California 92707

Phone: (949) 777-8800
Fax: (949) 777-8850
www.pm-llp.com

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 Statements of Net Position, Revenues, Expenses and Changes in Net position, and Cash Flows of the Las Virgenes-Triunfo Joint Powers Authority (the "JPA"), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the JPA as of June 30, 2015 and 2014, and the 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 to 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the JPA's basic financial statements. The Supplementary 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 18, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the JPA's internal control over financial reporting and compliance.

Pun & McGeady LLP

Santa Ana, California
November 18, 2015

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

PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

200 East Sandpointe Avenue
Suite 600
Santa Ana, California 92707

Phone: (949) 777-8800
Fax: (949) 777-8850
www.pm-llp.com

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"), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise JPA's basic financial statements, and have issued our report thereon dated November 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit 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*.

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.

Pun & McGeady LLP

Santa Ana, California
November 18, 2015

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, 2015 and 2014. Please read it in conjunction with the Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The JPA's net position decreased by 2.7% to $96.5 million during FY 2015 and decreased by 0.2% to $99.2 million during FY 2014.

- During FY 2015 the JPA's operating expenses increased to $21.5 million, up by 0.3%. In FY 2014, the JPA's operating expenses decreased 1.1% to $21.4 million.

- Billings to JPA participants in FY 2015 increased to $12.9 million, 7.4% more than FY 2014 billings of $12.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to Las Virgenes and 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 Statement 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 Statement of Revenues, Expenses and Changes in Net Position. These statements reflect the result of the JPA's operations over the past year.

The final required Financial Statement is the Comparative Statement 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 analysis of the JPA begins on page 13 of the Financial Statements. One of the most important questions asked about the JPA's finances is "Is the JPA, as a whole, better off or worse off as a result of the year's activities?" The Comparative Statement of Net Position, the Comparative Statements of Revenues, Expenses and Changes in Net Position report information about the JPA's activities in a way that will help answer this question. These three statements report the net position of the JPA and changes in them. You can think of the JPA's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the JPA's net position is 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, and new or changed government legislation.

NET POSITION

The analysis begins with a summary of the JPA's Statement of Net Position presented in Table 1.

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

	FY 2015	Dollar Change	FY 2014	Dollar Change	FY 2013
Current Assets	$ 6,832	($478)	$ 7,310	$(146)	$7,456
Property, Plant & Equipment	96,482	($2,715)	99,197	(187)	99,384
Total Assets	**103,314**	**(3,193)**	**106,507**	**(333)**	**106,840**
Due to Participants	5,952	(582)	6,534	(114)	6,648
Other Liabilities	880	104	776	(32)	808
Total Liabilities	**6,832**	**(478)**	**7,310**	**(146)**	**7,456**
Total Net Position:					
Investment in Capital Assets, Net of Related Debt	$96,482	$(2,715)	$99,197	$(187)	$99,384

As can be seen from the table above, net position of the JPA is equivalent to property, plant and equipment. Everything else is either a current asset or a liability. While between FY 2013 and FY 2014, net position was largely flat with only a $0.2 million decrease, In FY 2015, net position was reduced by $2.7 million. This decrease in Net Position (and property, plant and equipment) is due to depreciation expense exceeding participant capital contributions. Capital contributions were $3.7 million, compared to $6.3 million depreciation expense.

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 shows revenue from recycled water sales decreased significantly in FY 2015, following a smaller reduction in FY 2014 due to a reduction in wholesale recycled water sales caused by the ongoing and increasingly significant drought. Operating expenses have generally been in line year-over-year.

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

	FY 2015	Dollar Change	FY 2014	Dollar Change	FY 2013
Recycled Water Sales	$2,135	$(757)	$2,892	$(116)	$3,008
Other Operating Revenue	226	13	213	(68)	281
Non-operating Revenues	13	2	11	(3)	14
Total Revenues	**2,374**	**(742)**	**3,116**	**(187)**	**3,303**
Depreciation Expense	6,319	39	6,280	(97)	6,377
Other Operating Expense	15,189	37	15,153	(154)	15,307
Non-operating Expense	167	83	84	(231)	315
Total Expenses	**21,676**	**159**	**21,517**	**(482)**	**21,999**
Operating Loss before Billings	(19,302)	(900)	(18,402)	294	(18,696)
Billings to Participants	12,929	892	12,037	33	12,004
Net Loss before Capital Contributions	(6,372)	(9)	(6,364)	328	(6,692)
Participant Capital Contributions	3,657	(2,520)	6,177	2,245	3,932
NET POSITION:					
Change in Net Position	(2,715)	2,529	(187)	2,573	(2,760)
Net Position – Beginning of Year	99,197	(187)	99,384	(2,760)	102,144)
Net Position – End of Year	**$96,482**	**$(2,715)**	**$99,197**	**$(187)**	**$99,384**

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of FY 2015, the JPA had net capital assets of $96.5 million, compared to $99.2 million in FY 2014, and $99.4 million in FY 2013, as shown in Table 3.

TABLE 3
Capital Assets
(In thousands of dollars)

	FY 2015	Dollar Change	FY 2014	Dollar Change	FY 2013
Land & Land Rights	$12,259	$ 0	$12,259	$0	$12,259
Sewer & Treatment Plant	117,535	337	117,198	2,022	115,176
Compost Plant	63,275	212	63,063	6	63,057
Recycled Water System	31,845	0	31,845	168	31,677
Construction in Progress	10,250	2,930	7,320	3,791	3,529
Subtotal	**235,164**	**3,479**	**231,685**	**5,987**	**225,698**
Less Accumulated Depreciation	(138,682)	(6,194)	(132,488)	(6,174)	(126,314)
Total Capital Assets	**$96,482**	**$(2,715)**	**$99,197**	**$(187)**	**$99,384**

Table 4 shows a summary of some of the major improvements to the system during FY 2015 and Table 5 shows the major capital improvements to the system in FY 2014. FY 2015 saw a significant reduction in the outlay of capital projects compared to FY 2014.

TABLE 4
Major Capital Improvement Projects for FY 2015
(In thousands of dollars)

	FY 2015
Reservoir #2 Improvements	$1,425
Construction of 3rd Digester at Rancho	1,297
Tapia Primary Tank Rehabilitation	260
Centrate Tank Cathodic Protection System Replacement	129
Total Major Projects	3,111
Total Other Projects	546
Total Projects	**$3,657**

TABLE 5
Major Capital Improvement Projects for FY 2014
(In thousands of dollars)

	FY 2014
Third Digester Construction-Rancho Las Virgenes	$5,185
Tapia Alternative Disinfection Project	259
Tapia Grit Cyclone Conveyor	125
Tapia Primary Tank Rehab	116
Total Major Projects	5,685
Total Other Projects	492
Total Projects	**$6,177**

As shown in Table 6 the JPA's FY 2016 Capital Improvement Budget appropriates $7.1 million for capital projects, compared with a budget of $7.3 million in FY 2015. The projects are financed by the participating agencies. More information about the JPA's Capital Assets is presented on page 22 in the Notes to the Basic Financial Statements.

TABLE 6
Capital Budget
(In thousands of dollars)

	FY 2016	FY 2015
Recycled Water Projects	$1,930	$2,768
Sanitation Projects	5,188	4,590
Total	7,118	7,358

BUDGETARY HIGHLIGHTS

The Boards of Directors for both participating agencies adopt the JPA Operating and Capital Improvement Budget prior to the start of the fiscal year. The participant Boards may approve budget revisions during the year. A FY 2015 budget comparison and analysis is presented in Table 7.

Actual revenue was lower than what was anticipated in the adopted budget due to an increase in recycled water conservation. Overall reductions in operating expenses were offset by increases in non-operating expenses and General and Administrative cost.

TABLE 7
FY 2015 Actual vs FY 2015 Budget
(In thousands of dollars)

	FY 2015 Actual	FY 2015 Budget	Dollar Change	Total Percent Change
Revenues:				
Recycled Water Sales	$2,135	$2,304	($169)	(7.3%)
Other Operating Revenue	226	188	38	20.2%
Non-operating Revenue	13	20	(7)	(35.0)%
Total Revenues	**2,374**	**2,512**	**(138)**	**(5.5%)**
Operating Expenses:				
Treatment Plant	4,428	4,763	(335)	(7.0)%
Recycled Water Transmission And Distribution	1,469	1,206	263	21.8%
Compost Plant	2,492	2,541	(49)	(1.9)%
Sewer	113	112	1	0.4%
General and Administrative	6,453	6,384	69	1.1%
Depreciation	6,319	6,280	39	0.6%
Other Operating Expenses	235	273	(38)	(13.9%)
Non-operating Expenses	167	0	167	100%
Total Expenses	**21,676**	**21,559**	**117**	**0.5%**
Net Operating Expenses	**$(19,302)**	**$(19,047)**	**($255)**	**1.3%**

In FY 2014, shown in Table 8, on the next page, actual revenue was higher than what was anticipated in the adopted budget due to an increase in recycled water sales. Overall operating expenses were slightly over budget, and net operating expenses were lower than the budgeted amount by approximately $0.2 million.

TABLE 8
FY 2014 Actual vs FY 2014 Budget
(In thousands of dollars)

	FY 2014 Actual	FY 2014 Budget	Dollar Change	Total Percent Change
Revenues:				
Recycled Water Sales	$2,892	$2,624	$268	10.2%
Other Operating Revenue	213	205	8	3.9%
Non-operating Revenue	11	20	(9)	(45.0)%
Total Revenues	**3,116**	**2,849**	**267**	**9.4%**
Operating Expenses:				
Treatment Plant	4,403	4,724	(321)	(6.8)%
Recycled Water Transmission And Distribution	1,520	1,266	254	20.1%
Compost Plant	2,479	2,512	(33)	(1.3)%
Sewer	112	137	(25)	(18.2)%
General and Administrative	6,391	6,246	145	2.3%
Depreciation	6,280	6,377	(97)	(1.5)%
Other Operating Expenses	248	214	34	15.9%
Non-operating Expenses	84	0	84	-
Total Expenses	**21,517**	**21,476**	**41**	**0.2%**
Net Operating Expenses	**$(18,401)**	**$(18,627)**	**$226**	**(1.2)%**

LONG TERM DEBT

The JPA has no long-term debt nor is there any intention of issuing future debt. All funding is provided by the participating agencies.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The adopted budget for FY 2016 was developed considering the change to the wholesale recycled water rate, the changing costs of energy, costs of chemicals, and staff costs. Table 9 compares the FY 2016 budget to FY 2015 and FY 2014 Actuals.

TABLE 9
FY 2016 Budget Compared to
FY 2015 & FY 2014 Actual
(In thousands of dollars)

	FY 2016 Budget	FY 2015 Actual	FY 2014 Actual
Recycled Water Sales	$2,466	$2,135	$2,892
Other Operating Revenue	80	226	213
Non-Operating Revenues	20	13	11
Total Revenues	**2,566**	**2,374**	**3,116**
Depreciation Expense	6,319	6,319	6,280
Other Operating Expense	15,599	15,357	15,153
Non-Operating Expense	0	0	84
Total Expense	**21,918**	**21,676**	**21,517**
Net Expense	(19,352)	(19,302)	(18,401)
Billings to Participants	13,033	12,929	12,037
Excess of Net Operating Expenses Over Billings to Participants	(6,319)	(6,372)	(6,364)
Participant Capital Contributions	7,118	3,657	6,177
Change in Net Assets	799	(2,715)	(187)
Beginning Net Assets	96,482	99,197	99,384
Ending Net Assets	**$97,281**	**$96,482**	**$99,197**

Operating revenue is expected to increase due to an increase in recycled water rates and Demand is expected to remain soft due to the ongoing drought. The budget anticipates a return to more historical levels of capital contributions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, 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.

Las Virgenes-Triunfo Joint Powers Authority
Statements of Net Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,759,547	$ 6,164,190
Investments	1,001,457	-
Accounts receivable	850,601	913,844
Interest receivable	3,937	3,894
Inventories	177,855	188,321
Prepaid items	39,131	40,173
Total current assets	6,832,528	7,310,422
Noncurrent assets:		
Capital assets, not being depreciated	22,509,038	19,579,202
Capital assets, being depreciated, net	73,972,613	79,617,592
Total capital assets	96,481,651	99,196,794
Total noncurrent assets	96,481,651	99,196,794
Total assets	103,314,179	106,507,216
LIABILITIES		
Current liabilities:		
Accounts and contracts payable and accrued liabilities	880,409	776,437
Due to participants	5,952,119	6,533,985
Total current liabilities	6,832,528	7,310,422
Total liabilities	6,832,528	7,310,422
NET POSITION		
Net Investments in Capital Assets by Participants:		
Las Virgenes Municipal Water District	64,185,698	66,060,267
Triunfo Sanitation District	32,295,953	33,136,527
Net Investments in Capital Assets by Participants	96,481,651	99,196,794
Total net position	$ 96,481,651	$ 99,196,794

See accompanying Notes to the Basic Financial Statements.

Las Virgenes-Triunfo Joint Powers Authority
Statements of Revenues, Expenses, and Changes in Net Positon
For the Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES:		
Recycled water sales	$ 2,134,678	$ 2,891,658
Other income	226,336	212,888
Total operating revenues	2,361,014	3,104,546
OPERATING EXPENSES:		
Treatment plant	4,428,106	4,402,610
Recycled water transmission and distribution	1,469,223	1,520,483
Compost plant	2,492,119	2,478,561
Sewer	112,719	112,231
Depreciation	6,318,589	6,280,274
General and administrative	6,452,880	6,391,286
Other operating expenses	234,508	247,853
Total operating expenses	21,508,144	21,433,298
OPERATING (LOSS) BEFORE BILLINGS TO PARTICIPANTS	(19,147,130)	(18,328,752)
Billings to participants	12,929,586	12,037,292
OPERATING (LOSS)	(6,217,544)	(6,291,460)
NONOPERATING REVENUES (EXPENSES):		
Interest income	13,136	11,186
Other expenses	(114,180)	-
Loss on disposal of capital assets	(53,353)	(83,961)
Total nonoperating revenues (expenses)	(154,397)	(72,775)
NET (LOSS) BEFORE PARTICIPANTS' CAPITAL CONTRIBUTIONS	(6,371,941)	(6,364,235)
Participants' capital contributions	3,656,798	6,176,993
CHANGES IN NET POSITION	(2,715,143)	(187,242)
NET POSITION:		
Beginning of year	99,196,794	99,384,036
End of year	$ 96,481,651	$ 99,196,794

See accompanying Notes to the Basic Financial Statements.

Las Virgenes-Triunfo Joint Powers Authority
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from participants	$ 15,127,507	$ 15,072,347
Cash paid to suppliers for operations	(14,961,919)	(15,185,103)
Net cash provided by (used in) operating activities	165,588	(112,756)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(3,656,799)	(6,176,993)
Capital contributions	3,656,799	6,176,993
Net amount paid to participants	(581,866)	(114,350)
Net cash used in capital and related financing activities	(581,866)	(114,350)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	14,091	11,595
Purchase of investments	(1,002,456)	-
Net cash provided by (used in) investing activities	(988,365)	11,595
Net decrease in cash and cash equivalents	(1,404,643)	(215,511)
CASH AND CASH EQUIVALENTS:		
Beginning of year	6,164,190	6,379,701
End of year	$ 4,759,547	$ 6,164,190
RECONCILIATION OF OPERATING LOSSES TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (6,217,544)	$ (6,291,460)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	6,318,589	6,280,274
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	63,243	(69,491)
(Increase) decrease in inventories	10,466	(1,782)
(Increase) decrease in prepaid items	1,042	744
Increase (decrease) in accounts and contracts payable and accrued liabilities	103,972	(31,041)
Increase (decrease) in deposits and other	(114,180)	-
Net cash provided by (used in) operating activities	$ 165,588	$ (112,756)

See accompanying Notes to the Basic Financial Statements.

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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.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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. The JPA also invests in CalTrust Short Term Fund. 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 the same as the fair value of the pool shares.

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

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.

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 their estimated fair market 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.

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 should be displayed in the following three components:

> **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.
>
> **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 the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and Investments

At June 30, 2015 and 2014, cash and investments are reported in the accompanying statements of net position as follows:

	2015	2014
Cash and cash equivalent	$ 4,759,547	$ 6,164,190
Investments	1,001,457	-
	$ 5,761,004	$ 6,164,190

At June 30, 2015 and 2014, cash and investments consisted of the followings:

	2015	2014
Deposits:		
Pooled with Las Virgenes Municipal Water District	$ 383,900	$ 462,115
Investments:		
California Local Agency Investment Fund	4,375,647	5,702,075
CalTrust	1,001,457	-
Total cash and investments	$ 5,761,004	$ 6,164,190

Demand Deposits

At June 30, 2015 and 2014, the carrying amounts of cash deposits were $383,900 and $462,115, 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, 2015, the JPA had $4,375,647 invested in LAIF, which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to $5,702,075 and 1.86% at June 30, 2014**.**

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
Local Government Investment Pools	None	None	None
Bond issued by Local Agencies or States	5 Years	None	None

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 $5,377,104 and $5,702,075 at June 30, 2015 and 2014, respectively made up of investments in LAIF and CalTrust. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. The JPA started investing in CalTrust in the year end June 30, 2015. Investment in CalTrust has average maturity of 1.34 years as of June 30, 2015.

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 $4,375,647 and $5,702,075 at June 30, 2015 and 2014, respectively, are unrated. Investment in CalTrust in the amounts of $1,001,457 and $0 at June 30, 2015 and 2014, respectively, are also 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 mutual funds or government investment pools (such as LAIF).

Note 4 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land and land rights	$ 12,258,791	$ -	$ -	$ 12,258,791
Construction in progress	7,320,411	3,656,798	(726,960)	10,250,249
Total capital assets, not being depreciated	19,579,202	3,656,798	(726,960)	22,509,040
Capital assets, being depreciated:				
Sewer and treatment plant	117,197,572	459,387	(122,393)	117,534,566
Compost plant and farm	63,062,993	267,573	(55,390)	63,275,176
Recycled water system	31,845,276	-	-	31,845,276
Total capital assets, being depreciated	212,105,841	726,960	(177,783)	212,655,018
Less: accumulated depreciation				
Sewer and treatment plant	(72,630,780)	(3,350,102)	80,119	(75,900,763)
Compost plant and farm	(42,461,046)	(2,089,300)	44,312	(44,506,034)
Recycled water system	(17,396,423)	(879,187)	-	(18,275,610)
Total accumulated depreciation	(132,488,249)	(6,318,589)	124,431	(138,682,407)
Total capital assets, being depreciated, net	79,617,592	(5,591,629)	(53,352)	73,972,611
Total capital assets, net	$ 99,196,794	$ (1,934,831)	$ (780,312)	$ 96,481,651

Summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land and land rights	$ 12,258,791	$ -	$ -	$ 12,258,791
Construction in progress	3,529,251	6,176,993	(2,385,833)	7,320,411
Total capital assets, not being depreciated	15,788,042	6,176,993	(2,385,833)	19,579,202
Capital assets, being depreciated:				
Sewer and treatment plant	115,176,568	2,199,634	(178,630)	117,197,572
Compost plant and farm	63,056,581	17,467	(11,055)	63,062,993
Recycled water system	31,676,544	168,732	-	31,845,276
Total capital assets, being depreciated	209,909,693	2,385,833	(189,685)	212,105,841
Less: accumulated depreciation				
Sewer and treatment plant	(69,405,896)	(3,324,923)	100,039	(72,630,780)
Compost plant and farm	(40,373,702)	(2,093,029)	5,685	(42,461,046)
Recycled water system	(16,534,101)	(862,322)	-	(17,396,423)
Total accumulated depreciation	(126,313,699)	(6,280,274)	105,724	(132,488,249)
Total capital assets, being depreciated, net	83,595,994	(3,894,441)	(83,961)	79,617,592
Total capital assets, net	$ 99,384,036	$ 2,282,552	$ (2,469,794)	$ 99,196,794

Note 5 – Due to Participants

During the year ended June 30, 2015 and 2014, additional advances received from the participants were in the amount of $16,629,994 and $18,095,923, respectively. The advances received from the participants are used to pay for the operating, capital, and administrative cost of the JPA. At June 30, 2015 and 2014, due to participants were in the amount of $5,952,119 and $6,533,985, 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' respectively 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.

The following is the summary of the contributions made by the participants for the years ended June 30, 2015 and 2014:

	2015			
	Operating Contribution	Percentage	Capital Contribution	Percentage
LVMWD	$ 8,624,539	66.7%	$ 2,581,699	70.6%
TSD	4,305,046	33.3%	1,075,099	29.4%
Total	$ 12,929,586	100.0%	$ 3,656,798	100.0%

	2014			
	Operating Contribution	Percentage	Capital Contribution	Percentage
LVMWD	$ 8,254,018	68.6%	$ 4,360,957	70.6%
TSD	3,783,274	31.4%	1,816,036	29.4%
Total	$ 12,037,292	100.0%	$ 6,176,993	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.

Commitments

The JPA had outstanding contract commitments of $2,216,418 and $1,340,205 for the years ended June 30, 2015 and 2014, respectively.

As of June 30, 2015, in the opinion of the JPA's management, there were no additional outstanding matters that would have a significant effect on the financial position of the JPA.

SUPPLEMENTARY INFORMATION

Las Virgenes-Triunfo Joint Powers Authority
Schedule of Changes in Participants' Advance Accounts
For the Years Ended June 30, 2015 and 2014

	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 - Beginning of year	$ 527,350	$ 19,083	$ 2,319,846	$ 1,061,709
Advance from participants	-	250,272	8,627,996	4,933,820
Interfund activities with participants	-	-	-	-
Constructions costs allocated	(190,136)	(79,179)	-	-
Change in fair market value of LAIF	1,317	328	-	-
Change in fair market value of LAIF - Prior year	(1,422)	(281)	-	-
Billings to participants for operating expenses	-	-	(8,627,996)	(4,307,278)
Billings to participants from replacement fund interest income	-	-	-	-
Interest income from (to) participants	899	224	-	-
Recycled water billings to Triunfo Sanitation District	-	-	-	(626,542)
Due to (from) Participants - End of year	$ 338,008	$ 190,447	$ 2,319,846	$ 1,061,709

(Continued)

Las Virgenes-Triunfo Joint Powers Authority
Schedule of Changes in Participants' Advance Accounts (Continued)
For the Years Ended June 30, 2015 and 2014

	Operating Funds			
	Replacement of Capital Assets			
	Las Virgenes Municipal Water District	Triunfo Sanitation District	Total 2015	Total 2014
Due to (from) Participants - Beginning of year	$ 1,800,778	$ 805,219	$ 6,533,985	$ 6,648,335
Advance from participants	1,579,874	1,238,032	16,629,994	18,095,923
Interfund activities with participants	-	-	-	839,098
Constructions costs allocated	(2,391,563)	(995,920)	(3,656,798)	(6,176,993)
Change in fair market value of LAIF	-	-	1,645	-
Change in fair market value of LAIF - Prior year	-	-	(1,703)	-
Billings to participants for operating expenses	-	-	(12,935,275)	(12,042,024)
Billings to participants from replacement fund interest income	3,457	2,232	5,689	4,732
Interest income from (to) participants	-	-	1,123	4,012
Recycled water billings to Triunfo Sanitation District	-	-	(626,542)	(839,098)
Due to (from) Participants - End of year	$ 992,546	$ 1,049,563	$ 5,952,119	$ 6,533,985