

**Las Virgenes-Triunfo
Joint Powers Authority**

**Financial Statements and
Independent Auditor's Reports**

For the Years Ended June 30, 2023 and 2022

Las Virgenes-Triunfo Joint Powers Authority

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Las Virgenes-Triunfo Joint Powers Authority (the "JPA"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the JPA, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the JPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Responsibilities of Management for the Financial Statements

The JPA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the JPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 JPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the JPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying 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 accompanying 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 14, 2023 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino California
November 14, 2023

Las Virgenes-Triunfo Joint Powers Authority

Management's Discussion and Analysis June 30, 2023

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, 2023 and June 30, 2022. Please read it in conjunction with the Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- On June 30, 2023, the JPA's net position (excess of assets over liabilities) was \$100.3 million. The entirety of the net position consisted of the JPA's investment in capital assets by participants in the amounts of \$67.0 million for Las Virgenes Municipal Water District (LVMWD) and \$33.3 million for Triunfo Water & Sanitation District (TWSD).
- The JPA's Fiscal Year 2022-23 net position decreased by \$0.8 million, compared to an increase of \$2.8 million in Fiscal Year 2021-22. Net position will increase or decrease from year to year in the JPA based on capital assets contributed by its participants within the year less any depreciation recorded.
- Total operating revenues in Fiscal Year 2022-23 were \$3.0 million, up \$0.4 million (of 13.9%) versus prior year revenues of \$2.6 million. The increase in revenues as compared to the prior year was due to higher wholesale recycled water sales to the JPA's customers LVMWD and TWSD.
- Total operating revenues in Fiscal Year 2021-22 of \$2.6 million, were \$59 thousand (or 2.2%) below the previous year's revenues of \$2.7 million. The decrease in revenues as compared to the prior year was due to lower wholesale recycled water sales year over year to the JPA's customers.
- Total operating expenses in Fiscal Year 2022-23 were \$29.6 million, \$2.9 million (or 10.9%) above the prior year's expenses of \$26.7 million. The increase in operating expenses as compared to the prior year was due primarily from increased general and administrative expenses (G&A), up \$1.4 million (or 13.1%) versus Fiscal Year 2021-22. Additionally, expenses of \$3.6 million at the Rancho Las Virgenes Composting Facility for Fiscal Year 2022-23 were up \$0.7 million year-over-year. The increase was driven mainly by deferred maintenance and building repairs initiated during the fiscal year, along with a one-time cost of \$110,000 for the purchase and replacement of biofilter media. Expenses of \$5.0 million at the Tapia Water Reclamation Facility were up 15.4 percent versus prior year expenses of \$4.3 million. Much of the increase was due to escalating chemical costs including sodium hypochlorite and sodium bisulfite as compared to the prior year. Recycled water transmission and distribution costs of \$2.7 million in Fiscal Year 2022-23 were up 11.0% versus prior year expenses of \$2.5 million due mainly to increased electricity costs year over year.
- Total operating expenses in Fiscal Year 2021-22 of \$26.7 million, were \$1.0 million (or 3.8%) lower than the previous year's expenses of \$27.7 million. The decrease in operating expenses as compared to the prior year was mainly from G&A costs that were \$1.1 million lower than the prior year primarily due to cost-savings from vacancies in administrative support staff that resulted in lower allocated service costs to the JPA year-over-year.

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 cash came 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 JPA 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 JPA's net position are one indicator of whether its financial health is improving or deteriorating. Considering other non-financial factors such as changes in economic conditions, population growth, weather, and new or changed government legislation is also vital. It is important to note that the JPA's goal is to have sufficient revenue to cover operating and capital expenses while maintaining affordable rates for its customers.

The Fiscal Year 2022-23 recycled water sales and sanitation reflect a long-term trend of reduced water usage that began with 2011-2017 and continues through the current time. Customer behaviors that changed during the drought, and the JPA's messaging promoting water use efficiency as a way of life, have contributed to lower than historical averages of water use seen in the recent fiscal years. In Fiscal Year 2022-23 the JPA delivered 5,205 acre-feet of recycled water to its customers LVMWD and TWSD. This is in line with deliveries in Fiscal Year 2021-22 of 5,203 acre-feet but lower than deliveries in Fiscal Year 2020-21 of 6,237 acre-feet. The JPA has continued its efforts to maximize its use of recycled water, reduce charges to Malibu Creek, achieve long-term compliance with environmental regulations, and renew aging infrastructure.

Las Virgenes-Triunfo Joint Powers Authority

Management's Discussion and Analysis June 30, 2023

Actions by the JPA during Fiscal Year 2022-23 continued to reflect the change in focus which began in Fiscal Year 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 ultimately contribute in providing the resources necessary to support the indirect potable reuse project, now known as Pure Water Project Las Virgenes-Triunfo. During Fiscal Year 2021-22, the JPA Administrator LVMWD began developing the design criteria for the project, developed the environmental documentation for the program, and engaged in public outreach activities to help progress the project.

During Fiscal Year 2022-23, the JPA administrator LVMWD prepared and submitted applications to federal, state, and local funding sources to provide financing for the Pure Water project. Included in these funding sources was an invitation to the JPA to apply for Water Infrastructure Finance and Innovation Act (WIFIA) funding in the amount of \$184 million or up to 49% of the estimated project cost. Moving forward, the JPA will continue to develop this project and move towards construction within the next one to two years. The JPA continues to be well-positioned for the challenges in the years ahead and will continue to deliver high-quality, reliable services to its customers for years to come.

NET POSITION

As shown below in Table 1, net position decreased by \$0.8 million to \$100.3 million in Fiscal Year 2022-23, compared to an increase in net position of \$2.8 million in Fiscal Year 2021-22.

TABLE 1
Condensed Statements of Net Position
as of June 30,
(in thousands of dollars)

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>
Current assets	\$ 12,476	\$ 12,737	\$ 7,439
Capital assets	100,333	101,134	98,362
Total Assets	<u>112,809</u>	<u>113,871</u>	<u>105,801</u>
Due to participants	11,198	10,843	5,417
Other liabilities	1,278	1,895	2,022
Total Liabilities	<u>12,476</u>	<u>12,737</u>	<u>7,439</u>
Total Net Position	<u>\$ 100,333</u>	<u>\$ 101,134</u>	<u>\$ 98,362</u>

The decrease in net position in Fiscal Year 2022-23 was due to depreciation expense of \$5.7 million outpacing participants' capital contributions of \$4.9 million within the fiscal year. Net Position represents the cumulative investments in capital assets of the JPA by its participants LVMWD and TWSD reduced by accumulated depreciation over time.

Las Virgenes-Triunfo Joint Powers Authority

Management's Discussion and Analysis June 30, 2023

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 Revenues,
Expenses and Changes in Net Position
For the Year Ended June 30,
(in thousands of dollars)

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>
Recycled water sales	\$ 2,944	\$ 2,534	\$ 2,638
Other operating revenue	52	97	52
Total Operating Revenue	<u>2,996</u>	<u>2,631</u>	<u>2,690</u>
Depreciation expense	5,703	5,825	5,800
Other operating expenses	23,863	20,845	21,915
Total Operating Expenses	<u>29,566</u>	<u>26,670</u>	<u>27,715</u>
Operating Loss Before			
Billings to Participants	(26,570)	(24,039)	(25,025)
Billings to participants	19,952	15,367	19,001
Non-operating revenues/expenses	915	2,848	228
Net Loss Before Participants'			
Capital Contributions	(5,703)	(5,825)	(5,796)
Participant capital contributions	4,903	8,596	7,035
Change in Net Position	(800)	2,771	1,239
Net Position - Beginning of Year	101,133	98,362	97,123
Net Position - End of Year	<u>\$ 100,333</u>	<u>\$ 101,133</u>	<u>\$ 98,362</u>

As reflected in Table 2, Fiscal Year 2022-23 revenue from recycled water sales increased by \$0.4 million (or 16.2%) compared to the prior fiscal year due to a 20.4% increase in recycled water sales generated from purchases from TWSD (\$0.7 million in Fiscal Year 2022-23 versus \$0.6 million in Fiscal Year 2021-22), along with a 14.9% increase in recycled water sales from LVMWD (\$2.3 million in Fiscal Year 2022-23 versus \$2.0 million in Fiscal Year 2021-22). Deliveries of recycled water to its customers by the JPA was consistent year over year, therefore these sales increases were primarily due to a higher rate charged per acre-foot of water delivered by the JPA to its customers LVMWD and TWSD in Fiscal Year 2022-23 versus Fiscal Year 2021-22 (\$570 per acre-foot in Fiscal Year 2022-23 versus \$456 per acre-foot delivered in Fiscal Year 2021-22). Total Operating Expenses increased 10.9% in Fiscal Year 2022-23 versus Fiscal Year 2021-22 due to cost increases year over year in the Tapia Treatment Plant, Rancho Composting Facility, and General and Administrative expenses.

Las Virgenes-Triunfo Joint Powers Authority

**Management's Discussion and Analysis
June 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of Fiscal Year 2022-23, the JPA had net capital assets of \$100.3 million compared to \$101.1 million for Fiscal Year 2021-22 as shown in Table 3. See Note 4 for further information about capital assets.

**TABLE 3
Capital Assets
(in thousands of dollars)**

	FY 2023	FY 2022	FY 2021
Land and land rights	\$ 14,368	\$ 14,368	\$ 14,368
Sewer and treatment plant	131,176	130,696	130,624
Compost plant	83,690	83,892	78,707
Recycled water system	36,005	35,512	35,509
Construction in progress	15,152	11,020	7,739
Advanced water system	4,421	4,421	4,366
Subtotal	284,812	279,909	271,313
Accumulated depreciation	184,479	178,776	172,951
Total Capital Assets	\$ 100,333	\$ 101,134	\$ 98,362

Table 4 below is a summary of some of the major improvements to the system during Fiscal Year 2022-23, Fiscal Year 2021-22, and Fiscal Year 2020-21.

**TABLE 4
Major Capital Improvement Projects
(in thousands of dollars)**

	2023
Pure water project	\$ 2,381
Summer season TMDL compliance	1,180.0
Replace Rancho agitators	411.0
Tapia HVAC replacement	393.0
Total major projects FY 2023	\$ 4,365
	2022
Pure water project	\$ 3,486
Summer season TMDL compliance	2,261
Woolsey Fire Repair Rancho	1,237
Tapia PGMBLE logic controller upgrade	1,039
Total major projects FY 2022	\$ 8,023
	2021
Rancho LV digester/cleaning/repair	\$ 1,748
Pure water demonstration	1,429
Tapia pgmble log controller	1,249
Cordillera tank rehabilitation	927
Tapia hypochlorite tank replacement	619
Total major projects FY 2021	\$ 5,972

Las Virgenes-Triunfo Joint Powers Authority

Management's Discussion and Analysis

June 30, 2023

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 by email at finance@lvmwd.com, by phone at 818-251-2134, or by mail to 4232 Las Virgenes Road, Calabasas, California, 91302.

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Las Virgenes-Triunfo Joint Powers Authority

**Statements of Net Position
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash investments (Note 3)	\$ 9,791,972	\$ 7,312,917
Accounts receivable	2,242,069	5,199,331
Interest receivable	15,180	3,748
Prepaid items	427,015	221,407
Total current assets	<u>12,476,236</u>	<u>12,737,403</u>
Noncurrent assets:		
Capital assets, not being depreciated	29,519,704	25,388,592
Capital assets, being depreciated, net	70,813,394	75,744,919
Total capital assets	<u>100,333,098</u>	<u>101,133,511</u>
Total noncurrent assets	<u>100,333,098</u>	<u>101,133,511</u>
Total assets	<u>112,809,334</u>	<u>113,870,914</u>
LIABILITIES		
Current liabilities:		
Accounts and contracts payable and accrued expenses	1,277,984	1,894,716
Due to participants	<u>11,198,252</u>	<u>10,842,687</u>
Total current liabilities	<u>12,476,236</u>	<u>12,737,403</u>
Total liabilities	<u>12,476,236</u>	<u>12,737,403</u>
NET POSITION		
Investments in capital assets by participants:		
Las Virgenes Municipal Water District	67,075,514	67,736,136
Triunfo Water & Sanitation District	<u>33,257,584</u>	<u>33,397,375</u>
Investments in capital assets by participants	<u>100,333,098</u>	<u>101,133,511</u>
Total net position	<u>\$ 100,333,098</u>	<u>\$ 101,133,511</u>

The accompanying notes are an integral part of these statements.

Las Virgenes-Triunfo Joint Powers Authority

**Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Wholesale recycled water sales	\$ 2,943,715	\$ 2,534,154
Other income	52,714	96,798
Total operating revenues	<u>2,996,429</u>	<u>2,630,952</u>
Operating expenses:		
Treatment plant	5,004,065	4,336,980
Recycled water transmission and distribution	2,748,048	2,456,106
Compost plant	3,621,656	2,919,174
Sewer	240,295	340,816
Depreciation	5,703,196	5,824,838
General and administrative	11,890,640	10,533,042
Other operating expenses	358,312	259,163
Total operating expenses	<u>29,566,212</u>	<u>26,670,119</u>
Operating loss before billings to participants	(26,569,783)	(24,039,167)
Billings to participants	<u>19,951,744</u>	<u>15,366,514</u>
Operating loss	<u>(6,618,039)</u>	<u>(8,672,653)</u>
Nonoperating revenues (expenses):		
Interest income	324,925	33,106
Other revenues	589,918	2,814,709
Total nonoperating revenues (expenses)	<u>914,843</u>	<u>2,847,815</u>
Net loss before participants' capital contributions	(5,703,196)	(5,824,838)
Participants' capital contributions	<u>4,902,783</u>	<u>8,595,865</u>
Changes in net position	(800,413)	2,771,027
Net position:		
Beginning of year	101,133,511	98,362,484
End of year	<u>\$ 100,333,098</u>	<u>\$ 101,133,511</u>

The accompanying notes are an integral part of these statements.

Las Virgenes-Triunfo Joint Powers Authority

**Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Cash received from participants	\$ 25,905,435	\$ 15,087,552
Cash paid to suppliers for operations	(24,327,044)	(20,738,501)
Other revenue (expenses)	(358,312)	(259,163)
Net cash provided by (used in) operating activities	1,220,079	(5,910,112)
Cash flows from noncapital financing activities:		
Other revenues	589,918	2,814,709
Net cash provided by noncapital financing activities	589,918	2,814,709
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,902,783)	(8,595,865)
Capital contributions	4,902,783	8,595,865
Net cash received from (paid to) participants	355,565	5,425,688
Net cash provided by (used in) capital and related financing activities	355,565	5,425,688
Cash flows from investing activities:		
Interest received	313,493	60,863
Net cash provided by investing activities	313,493	60,863
Net change in cash and cash equivalents	2,479,055	2,391,148
Cash and cash equivalents:		
Beginning of year	7,312,917	4,921,769
End of year	<u>\$ 9,791,972</u>	<u>\$ 7,312,917</u>
Noncash investing activities:		
Change in fair value of investments	<u>\$ 366,915</u>	<u>\$ 247,332</u>
Reconciliation of net operating (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	\$ (6,618,039)	\$ (8,672,653)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	5,703,196	5,824,838
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	2,957,262	(2,909,914)
(Increase) decrease in prepaid items	(205,608)	(25,342)
Increase (decrease) in accounts and contracts payable and accrued liabilities	(616,732)	(127,041)
Net cash provided by (used in) operating activities	\$ 1,220,079	\$ (5,910,112)

The accompanying notes are an integral part of these statements.

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Las Virgenes-Triunfo Joint Powers Authority

Notes to the Basic Financial Statements For the Years Ended June 30, 2023 and 2022

Note 1 – Reporting Entity

On October 12, 1964, Las Virgenes Municipal Water District (“LVMWD”) and Triunfo Water & Sanitation District (“TWSD”) 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.

Las Virgenes-Triunfo Joint Powers Authority

Notes to the Basic Financial Statements For the Years Ended June 30, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments

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

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

The JPA is also a voluntary participant in CAMP, a Joint Powers Authority established in 1989, to provide California public agencies with professional investment services. The CAMP pool is a permitted investment for all local agencies under California Government Code Section 601(p). CAMP is directed by a Board of Trustees, which is made up of experienced local government finance directors and treasurers. There are no withdrawal limitations or restrictions.

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

- Interest rate risk
- Credit risk
 - Overall
 - Custodial credit risk
 - Concentration of credit risk
- Foreign currency risk

Fair Value Measurements

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

- Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Las Virgenes-Triunfo Joint Powers Authority

**Notes to the Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

Las Virgenes-Triunfo Joint Powers Authority

**Notes to the Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Cash and Investments

At June 30, 2023 and 2022, cash and investments are reported in the accompanying statements of net position as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 127,998	\$ 147,754
Investments	9,663,974	7,165,163
Total Cash and Investments	<u>\$ 9,791,972</u>	<u>\$ 7,312,917</u>

At June 30, 2023 and 2022, cash and investments consisted of the followings:

	<u>2023</u>	<u>2022</u>
Deposits:		
Pooled with Las Virgenes Municipal Water District	\$ 127,998	\$ 147,754
Investments:		
California Asset Management Program	2,124,160	873,450
California Local Agency Investment Fund	477,104	1,879,013
U.S. Government Sponsored Agency Securities	7,062,710	4,412,700
Total Cash and Investments	<u>\$ 9,791,972</u>	<u>\$ 7,312,917</u>

Demand Deposits

At June 30, 2023 and 2022, the carrying amounts of cash deposits were \$127,998 and \$147,754 respectively, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the LVMWD's name as discussed below.

Las Virgenes-Triunfo Joint Powers Authority

Notes to the Basic Financial Statements For the Years Ended June 30, 2023 and 2022

Note 3 – Cash and Investments (Continued)

Demand Deposits (Continued)

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, 2023, the JPA had \$477,104 invested in LAIF, which had invested 1.46% of the pool investment funds in Structured Notes and Asset-Backed Securities compared to \$1,879,013 and 1.10% at June 30, 2022.

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 identifies 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.

Las Virgenes-Triunfo Joint Powers Authority

**Notes to the Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 3 – Cash and Investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States treasury bills, bonds and notes	5 years	None	None
United States government sponsored agency securities	5 years	None	None
Time deposits	1 year	25%	None
Repurchase agreements/reverse repurchase agreement	30 days	25%/10%	None
California Asset Management Program (CAMP)	None	25%	\$75,000,000
California Local Agency Investment Fund (LAIF)	None	25%	\$75,000,000
Bonds issue by local agencies or states	5 years	None	None
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:

	<u>2023</u>			<u>2022</u>		
	<u>Significant Other Observable Input (Level 2)</u>	<u>Uncategorized</u>	<u>Total</u>	<u>Significant Other Observable Input (Level 2)</u>	<u>Uncategorized</u>	<u>Total</u>
California Asset Management Program	\$ -	\$ 2,124,160	\$ 2,124,160	\$ -	\$ 873,450	\$ 873,450
California Local Agency Investment Fund	-	477,104	477,104	-	1,879,013	1,879,013
U.S. Government Sponsored Agency Securities	7,062,710	-	7,062,710	4,412,700	-	4,412,700
Total Investments	<u>\$ 7,062,710</u>	<u>\$ 2,601,264</u>	<u>\$ 9,663,974</u>	<u>\$ 4,412,700</u>	<u>\$ 2,752,463</u>	<u>\$ 7,165,163</u>

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.

The JPA's investments of \$9,663,974 and \$7,165,163 at June 30, 2023 and 2022, respectively, made up of investments in LAIF, CAMP, and U.S. Government Sponsored Agency Securities at June 30, 2023 and 2022. Investments in LAIF and CAMP 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, 2023.

Las Virgenes-Triunfo Joint Powers Authority

Notes to the Basic Financial Statements For the Years Ended June 30, 2023 and 2022

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in LAIF in the amounts of \$477,104 and \$1,879,013 as of June 30, 2023 and 2022, respectively, are unrated. Investment in U.S. Government Sponsored Agency Securities in the amount of \$7,062,710 and \$4,412,700 as of June 30, 2023 and 2022, respectively, are unrated. Investments in California Asset Management Program (CAMP) in the amounts of \$2,124,160 and \$873,450 as of June 30, 2023 and 2022, are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the JPA'S investment in a single investment. As of June 30, 2023 and 2022, the JPA had no investments exceed this limit.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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 the JPA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure JPA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, the JPA's deposits with financial institutions are interest bearing, and have a limited insurance coverage with the federal deposit insurance corporation up to \$250,000. Any amounts in excess of \$250,000 per institution are collateralized by the bank with pledged securities.

Las Virgenes-Triunfo Joint Powers Authority

Notes to the Basic Financial Statements For the Years Ended June 30, 2023 and 2022

Note 4 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Reclassification	Balance June 30, 2023
Capital assets, not being depreciated					
Land and land rights	\$ 14,368,150	\$ -	\$ -	\$ -	\$ 14,368,150
Construction in progress	11,020,442	4,902,783	-	(771,671)	15,151,554
Total capital assets, not being depreciated	<u>25,388,592</u>	<u>4,902,783</u>	<u>-</u>	<u>(771,671)</u>	<u>29,519,704</u>
Capital assets, being depreciated					
Sewer and treatment plant	130,696,258	-	-	480,167	131,176,425
Compost plant and farm	83,891,943	-	-	(202,260)	83,689,683
Recycled water system	35,511,617	-	-	493,764	36,005,381
Advanced water system	4,420,623	-	-	-	4,420,623
Total capital assets, being depreciated	<u>254,520,441</u>	<u>-</u>	<u>-</u>	<u>771,671</u>	<u>255,292,112</u>
Less accumulated depreciation					
Sewer and treatment plant	(96,834,778)	(3,043,029)	-	-	(99,877,807)
Compost plant and farm	(56,827,414)	(1,653,057)	-	-	(58,480,471)
Recycled water system	(24,944,384)	(918,698)	-	-	(25,863,082)
Advanced water system	(168,946)	(88,412)	-	-	(257,358)
Total accumulated depreciation	<u>(178,775,522)</u>	<u>(5,703,196)</u>	<u>-</u>	<u>-</u>	<u>(184,478,718)</u>
Total capital assets, being depreciated, net	<u>75,744,919</u>	<u>(5,703,196)</u>	<u>-</u>	<u>771,671</u>	<u>70,813,394</u>
Total capital assets, net	<u>\$ 101,133,511</u>	<u>\$ (800,413)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,333,098</u>

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Reclassification	Balance June 30, 2022
Capital assets, not being depreciated					
Land and land rights	\$ 14,368,150	\$ -	\$ -	\$ -	\$ 14,368,150
Construction in progress	7,738,580	8,595,865	-	(5,314,003)	11,020,442
Total capital assets, not being depreciated	<u>22,106,730</u>	<u>8,595,865</u>	<u>-</u>	<u>(5,314,003)</u>	<u>25,388,592</u>
Capital assets, being depreciated					
Sewer and treatment plant	130,623,917	-	-	72,341	130,696,258
Compost plant and farm	78,707,298	-	-	5,184,645	83,891,943
Recycled water system	35,509,083	-	-	2,534	35,511,617
Advanced water system	4,366,140	-	-	54,483	4,420,623
Total capital assets, being depreciated	<u>249,206,438</u>	<u>-</u>	<u>-</u>	<u>5,314,003</u>	<u>254,520,441</u>
Less accumulated depreciation					
Sewer and treatment plant	(93,841,866)	(2,992,912)	-	-	(96,834,778)
Compost plant and farm	(55,062,807)	(1,764,607)	-	-	(56,827,414)
Recycled water system	(24,002,350)	(942,034)	-	-	(24,944,384)
Advanced water system	(43,661)	(125,285)	-	-	(168,946)
Total accumulated depreciation	<u>(172,950,684)</u>	<u>(5,824,838)</u>	<u>-</u>	<u>-</u>	<u>(178,775,522)</u>
Total capital assets, being depreciated, net	<u>76,255,754</u>	<u>(5,824,838)</u>	<u>-</u>	<u>5,314,003</u>	<u>75,744,919</u>
Total capital assets, net	<u>\$ 98,362,484</u>	<u>\$ 2,771,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,133,511</u>

Note 5 – Due to Participants

During the years ended June 30, 2023 and 2022, additional advances received from the participants were in the amount of \$26,128,803 and \$26,518,547, respectively (see supplementary information). The advances received from the participants are used to pay for the operating, capital, and administrative cost of the JPA. At June 30, 2023 and 2022, due to participants were in the amount of \$11,198,252 and \$10,842,687, respectively.

Las Virgenes-Triunfo Joint Powers Authority

Notes to the Basic Financial Statements For the Years Ended June 30, 2023 and 2022

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 71.0% to LVMWD and 29.0% to TWSD.

The following is the summary of the contributions made by the participants for the years ended June 30, 2023 and 2022:

		2023			
		Operating		Capital	
		Contribution	Percentage	Contribution	Percentage
LVMWD		\$ 13,367,659	67.0%	\$ 3,480,976	71.0%
TSD		6,584,085	33.0%	1,421,807	29.0%
	Total	<u>\$ 19,951,744</u>	<u>100.0%</u>	<u>\$ 4,902,783</u>	<u>100.0%</u>

		2022			
		Operating		Capital	
		Contribution	Percentage	Contribution	Percentage
LVMWD		\$ 10,386,142	68.4%	\$ 6,068,677	70.6%
TSD		4,980,372	31.6%	2,527,185	29.4%
	Total	<u>\$ 15,366,514</u>	<u>100.0%</u>	<u>\$ 8,595,862</u>	<u>100.0%</u>

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 \$100,000 self-insured retention limit per occurrence. The coverage for the property provided for \$61 million per occurrence with a self-insured retention limit of \$100,000 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.

Las Virgenes-Triunfo Joint Powers Authority

**Notes to the Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

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

As of June 30, 2023, the JPA had material construction commitments evidenced by contractual commitments with contractors in the amount of \$4,272,460.

<u>Project Name</u>	<u>Contractual Commitment</u>
Rancho Scada Improvements	\$ 1,092,050
Rancho Agitators Replacement	961,191
Pure Water Project	876,382
Various construction projects	1,342,837
Total	<u>\$ 4,272,460</u>

As of June 30, 2022, the JPA had material construction commitments evidenced by contractual commitments with contractors in the amount of \$4,940,036.

<u>Project Name</u>	<u>Contractual Commitment</u>
Pure Water Project	\$ 2,428,139
SCADA Upgrade for Tapia	1,618,097
Various construction projects	893,800
Total	<u>\$ 4,940,036</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, 2023 and 2022**

	Construction Funds		Operating Funds	
	Tapia Plant		Operations and	
	and Trunk Sewers		Maintenance	
	Las Virgenes Municipal Water District	Triunfo Sanitation District	Las Virgenes Municipal Water District	Triunfo Sanitation District
Due to (from) participants - July 1, 2022	\$ (26,752)	\$ (104,725)	\$ 2,941,415	\$ 2,177,989
Advance from participants	264,261	240,312	14,018,578	5,848,731
Construction costs allocated	(208,327)	(86,754)	-	-
Change in fair market value of LAIF	93,188	38,807	(43,541)	(18,132)
Change in fair market value of LAIF - prior year	-	-	-	-
Other miscellaneous income	-	-	-	-
Billings to participants for operating expenses	-	-	(14,275,144)	(6,446,089)
Billings to participants from replacement fund interest income	-	-	-	-
Interest income from (to) participants	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	-	(686,911)
Due to (from) participants - June 30, 2023	<u>\$ 122,370</u>	<u>\$ 87,640</u>	<u>\$ 2,641,308</u>	<u>\$ 875,588</u>

(continued)

	Construction Funds		Operating Funds	
	Tapia Plant		Operations and	
	and Trunk Sewers		Maintenance	
	Las Virgenes Municipal Water District	Triunfo Sanitation District	Las Virgenes Municipal Water District	Triunfo Sanitation District
Due to (from) participants - July 1, 2021	\$ 396,112	\$ 71,371	\$ 2,319,688	\$ 747,472
Advance from participants	-	-	7,778,925	7,127,534
Interfund activities with participants	-	-	-	-
Construction costs allocated	(592,646)	(246,797)	-	-
Construction reclass to operating expenses	-	-	-	-
Change in fair market value of LAIF	(112,067)	(46,668)	(62,549)	(26,047)
Change in fair market value of LAIF - prior year	-	-	-	-
Grant income	-	-	-	-
Other miscellaneous income	281,142	117,076	(273,420)	(113,860)
Billings to participants for operating expenses	-	-	(6,821,229)	(4,986,536)
Billings to participants from replacement fund interest income	-	-	-	-
Interest income from (to) participants	707	293	-	-
Adjustment billing to participants for operating fund	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	-	(570,574)
Due to (from) participants - June 30, 2022	<u>\$ (26,752)</u>	<u>\$ (104,725)</u>	<u>\$ 2,941,415</u>	<u>\$ 2,177,989</u>

(continued)

Las Virgenes-Triunfo Joint Powers Authority

Schedule of Changes in Participants' Advance Accounts (Continued) For the Years Ended June 30, 2023 and 2022

	Operating Funds		Total	
	Replacement of			
	Las Virgenes Municipal Water District	Triunfo Sanitation District	2023	2022
Due to (from) participants - July 1, 2022	\$ 2,326,212	\$ 3,528,548	\$ 10,842,687	\$ 5,416,999
Advance from participants	4,017,920	1,739,001	26,128,803	26,518,547
Construction costs allocated	(3,115,957)	(1,491,745)	(4,902,783)	(8,595,865)
Change in fair market value of LAIF	-	-	70,322	(247,331)
Change in fair market value of LAIF - prior year	(190,231)	(79,218)	(269,449)	-
Other miscellaneous income	-	-	-	10,938
Billings to participants for operating expenses	-	-	(20,721,233)	(11,807,765)
Billings to participants from replacement fund interest income	510,775	226,041	736,816	116,738
Interest income from (to) participants	-	-	-	1,000
Recycled water billings to Triunfo Sanitation District	-	-	(686,911)	(570,574)
Due to (from) participants - June 30, 2023	<u>\$ 3,548,719</u>	<u>\$ 3,922,627</u>	<u>\$ 11,198,252</u>	<u>\$ 10,842,687</u>

(concluded)

	Operating Funds		Total	
	Replacement of			
	Las Virgenes Municipal Water District	Triunfo Sanitation District	2022	2021
Due to (from) participants - July 1, 2021	\$ 247,975	\$ 1,634,381	\$ 5,416,999	\$ 12,531,959
Advance from participants	7,559,070	4,053,018	26,518,547	19,612,743
Interfund activities with participants	-	-	-	-
Construction costs allocated	(5,476,034)	(2,280,388)	(8,595,865)	(7,035,377)
Construction reclass to operating expenses	-	-	-	-
Change in fair market value of LAIF	-	-	(247,331)	17,600
Change in fair market value of LAIF - prior year	-	-	-	(70,296)
Grant income	-	-	-	-
Other miscellaneous income	-	-	10,938	-
Billings to participants for operating expenses	-	-	(11,807,765)	(19,167,210)
Billings to participants from replacement fund interest income	(4,799)	121,537	116,738	166,572
Interest income from (to) participants	-	-	1,000	7,637
Adjustment billing to participants for operating fund	-	-	-	-
Recycled water billings to Triunfo Sanitation District	-	-	(570,574)	(646,629)
Due to (from) participants - June 30, 2022	<u>\$ 2,326,212</u>	<u>\$ 3,528,548</u>	<u>\$ 10,842,687</u>	<u>\$ 5,416,999</u>

(concluded)



**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**

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To the Board of Directors
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, 2023 and 2022, 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 November 14, 2023.

Report on 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.

Report on 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*.

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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 14, 2023