

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 and JUNE 30, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Triunfo Sanitation District (District) was organized on November 12, 1963 as a special district under the County Sanitation District Act, State of California Health & Safety Code Section 4700 et seq., to provide sanitation services for the southeastern portion of Ventura County, adjacent to the Los Angeles County line. The District's five-member Board of Directors (Board) is comprised of two directly-elected members-at-large, one member of the Thousand Oaks City Council, one member of the Ventura Regional Sanitation District Board of Directors, and one member of the Ventura County Board of Supervisors. On October 12, 1964, the District and Las Virgenes Municipal Water District (LVMWD) entered into a joint powers agreement establishing a Joint Venture (LVMWD/TSD Joint Venture) to construct, operate, maintain and provide for a regional sewerage system to serve the area within the two districts. The two directly elected Board members-at-large are employees of the District. The District contracts with Ventura Regional Sanitation District for management, engineering, operations & maintenance, and financial services.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately appointed governing board. Component units are legally separate organizations for which the governing board of the primary government is financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization; or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Triunfo Public Facilities Corporation (Corporation) was formed on June 30, 1987 to facilitate the issuance of certificates of participation for the acquisition, construction, operation and maintenance of facilities, equipment, or other property needed by the District and leasing or selling such property to the District and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations and the District's Board is also the governing board of the corporation. No separate financial statements are prepared for the Corporation.

2. Measurement Focus and Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (charges for services), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues

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of the Triunfo Sanitation District of the potable, recycled, and wastewater services are charges to customers for sales and services. The District also recognizes the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

3. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

4. Assets, Liabilities and Net Assets

Use of estimates – The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

Capital contributions – Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

Budgetary policies – Each year, District staff prepares an annual budget. This annual budget, as adopted by District Board of Directors is used for planning, serves as a basis for monitoring financial progress, and determining future service charge rates. During the fiscal year, the budget may be amended as circumstances or levels of operations dictates.

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Cash and Investments – The District’s cash and investments are governed by the District’s Investment Policy and in compliance with the California Government Code. For purposes of reporting cash flows, the District considers cash and funds invested in the State of California Local Agency Investment Fund (LAIF), the Ventura County Treasury Pool (VCTP) and money market funds to be cash equivalents. In addition, all investments with an original maturity of three months or less when purchased are considered cash equivalents.

Investments are generally stated at fair value, which is based on quoted market prices as of the valuation date. The gain/loss resulting from valuation is reported in the revenue account “Interest and Investment Earnings” on the statements of revenues, expenses and changes in net assets.

Restricted assets – Amounts shown as restricted assets have been restricted by either bond indentures or to be used for specific purposes based on contract provisions, such as bonded debt service.

Accounts receivable water sales and services – These receivables are comprised of services provided to water customers in the Oak Park service area.

Accounts receivable sanitation fees – These receivables are comprised of services provided to wastewater customers throughout the District and potable and reclaimed water customers of the District’s Oak Park Water Service.

Notes receivable – Includes amounts due from Bell Canyon customers for sewer line extensions secured by a lien placed on their property.

Advances due - investment in LVMWD/TSD Joint Venture – Pursuant to the Joint Powers Agreement, each district is required to maintain advances with the LVMWD/TSD Joint Venture for the following purposes:

Operating Reserve Advance Account – Both districts are required to advance amounts estimated to provide for three months operating reserve. The District’s share of operating reserve advance balances at June 30, 2009 and 2008 were \$969,400 and \$967,200 respectively.

Construction Advance Account – Cash flow during construction is proportionately shared by both districts. Amounts are advanced to the LVMWD/TSD Joint Venture to meet construction cash flow requirements. The District’s share of construction advance balances at June 30, 2009 and 2008 were \$202,400 and \$785,000 respectively.

Replacement Reserve Advance Account – Both districts are required to advance amounts for the cost to replace existing assets. The District’s share of replacement reserve advance balances at June 30, 2009 and 2008 were \$415,900 and \$199,500 respectively.

Water-in-storage inventory - Potable water available within the distribution pipelines and storage tanks is estimated and valued by the conversion of cubic feet to acre-feet and multiplied by current cost.

Prepaid and other - Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

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Deferred charges - The District has incurred several deferred charges that relate to issuance costs and call premiums (discounts) from refunding certain debt issuances. These deferred charges will be amortized over the remaining life of the refunded debt service requirements.

Capital assets - Property and equipment with a cost of \$5,000 or more and a life greater than three years is capitalized and stated at cost, except for the portions acquired by contribution, which are reported at fair market value on the date received. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over estimated useful lives of the assets as shown below:

Equipment	5 to 25 years
Potable water system	40 years
Recycled water system	40 years
Wastewater collection system	50 years

Construction in progress - Costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete, the entire cost of the project is transferred to a capital asset account and depreciated over the estimated useful life.

Accounts payable and accrued expenses - An estimated loss is recorded in this category, net of insurance coverage and inclusive of an estimate for incurred but not reported claims, when it is probable that a claim liability has been incurred and the amount of the loss can be reasonably estimated.

Restricted liabilities - Certain liabilities, which are currently payable, have been classified as current liabilities payable from restricted assets since assets have been restricted for their payment.

Unearned revenue - In October 2005, Sherwood Development Company, L.P., paid the District \$666,373 in advance for the connection and inspection fees for tract 4409, phases 4 through 8 with an estimated total of sixty-five (65) lots. In 2006, the County of Ventura approved the tract map and Sherwood is expecting to start construction from between five to ten years, or sooner.

Net Assets - GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." (GASB No. 34) established standards for external financial reporting for all state and local governmental entities. The financial reporting includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. These three components are defined as follows:

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.

Restricted Net Assets - This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or

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regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

B. DETAILED NOTES

1. Cash and Investments

The District has adopted the provision of Statement No. 31 of the Governmental Accounting Standards Board, “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*” (GASB 31), and Statement No. 40 of the Governmental Accounting Standards Board, “*Deposit and Investment Risk Disclosures*” (GASB 40), which require that certain investments and external investment pools be reported at fair market value and disclosure be made of certain deposit and investment risks.

The District’s investment policy is governed by and in compliance with the California Government Code. The investment policy’s objectives are to provide safety of principal, maintain liquidity, and earn a competitive yield. The District is authorized to invest funds in the California State Treasurer’s Local Agency Investment Fund (LAIF), Ventura County Treasurer’s Investment Pool (County Pool), and other qualified investments in accordance with the District’s investment policy.

Cash and Cash Equivalents

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	<u>2009</u>		<u>2008</u>
Cash and cash equivalents	\$ 11,357,021	\$	10,438,491
Restricted cash and cash equivalents	922,904		920,243
Restricted investments	920,000		920,000
Investments	<u>2,445,130</u>		<u>4,751,997</u>
Total Cash and Investments	<u>\$ 15,645,055</u>	\$	<u>17,030,731</u>

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

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents		
Local Agency Investment Fund (LAIF)	\$ 2,514,188	\$ 8,518,345
Ventura County Treasury Pool	9,254,412	2,433,916
Money market funds	241,523	54,534
Money market funds	35,391	36,165
Sweep account	234,411	315,774
Total Cash and Cash Equivalents	<u>\$ 12,279,925</u>	<u>\$ 11,358,734</u>

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents:		
Restricted	\$ 922,904	\$ 920,243
Unrestricted	<u>11,357,021</u>	<u>10,438,491</u>
Total Cash and Cash Equivalents	<u>\$ 12,279,925</u>	<u>\$ 11,358,734</u>

At June 30, 2009, and 2008, the carrying amount of cash in bank deposits was \$234,411 and \$315,774, respectively, and the corresponding bank balance was \$512,181 and \$544,689, respectively. The difference between the carrying amount of cash in banks and the corresponding bank balance is due to deposits in transit and outstanding checks. All deposits are insured or collateralized.

Investments as of June 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Restricted		
Held by bond trustee:		
U.S. Treasury note	\$ <u>920,000</u>	\$ <u>920,000</u>
Restricted investments	920,000	920,000
Unrestricted		
Federal National Mortgage Association	1,377,800	1,412,248
U.S. Treasury notes	<u>1,067,330</u>	<u>3,339,749</u>
Unrestricted investments	<u>2,445,130</u>	<u>4,751,997</u>
Total Investments	<u>\$ 3,365,130</u>	<u>\$ 5,671,997</u>

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Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and the concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Types</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
LAIF	5 years	None	None
Ventura County Investment Pool	N/A	None	None
U.S. Agency Securities	5 years	None	None
U.S. Government Securities	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Banker's Acceptances	180 days	40%	30%
Mutual Funds that Invest in Allowable Securities	N/A	25%	10%

A reserve fund is established by the provisions of the 1994 Variable Rate Demand Refunding Revenue Bonds debt agreement in an amount equal to \$920,000 and is invested in the US Treasury Notes by the bond trustees.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity date:

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Investments and cash and cash equivalents at June 30, 2009:

Investment Type	Fair Value Total	Remaining Maturity (In Months)	
		12 Months or Less	13-24 Months
Federal National Mortgage Association	\$ 1,377,800	\$ 1,377,800	\$ -
U.S. Treasury notes	1,067,330	1,067,330	-
Local Agency Investment Fund (LAIF)	2,514,188	2,514,188	-
Ventura County Treasury Pool	9,254,412	9,254,412	-
Money market funds	241,523	241,523	-
Held by bond trustee:			
Money market funds	35,391	35,391	-
U.S. Treasury note	920,000	920,000	-
Total	\$ 15,410,644	\$ 15,410,644	\$ -

Investments and cash and cash equivalents at June 30, 2008:

Investment Type	Fair Value Total	Remaining Maturity (In Months)	
		12 Months or Less	13-24 Months
Federal National Mortgage Association	\$ 1,412,248	\$ -	\$ 1,412,248
U.S. Treasury notes	3,339,749	2,259,507	1,080,242
Local Agency Investment Fund (LAIF)	8,518,345	8,518,345	-
Ventura County Treasury Pool	2,433,916	2,433,916	-
Money market funds	54,534	54,534	-
Held by bond trustee:			
Money market funds	36,165	36,165	-
U.S. Treasury note	920,000	920,000	-
Total	\$ 16,714,957	\$ 14,222,467	\$ 2,492,490

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year end for each investment type.

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Credit ratings of investments and cash and cash equivalents as of year-end, were as follows:

Investment Type	Total as of June 30, 2009	Minimum Legal Rating	Not Rated	Ratings as of Year End AAA	Exempt From Disclosure
Federal National Mortgage Association	\$ 1,377,800	A	\$ -	\$ 1,377,800	\$ -
U.S. Treasury notes	1,067,330	N/A	-	-	1,067,330
Local Agency Investment Fund (LAIF)	2,514,188	N/A	2,514,188	-	-
Ventura County Treasury Pool	9,254,412	N/A	9,254,412	-	-
Money market funds	241,523	N/A	241,523	-	-
Held by bond trustee:					
Money market funds	35,391	N/A	35,391	-	-
U.S. Treasury note	920,000	N/A	-	-	920,000
Total	\$ 15,410,644		\$ 12,045,514	\$ 1,377,800	\$ 1,987,330

Investment Type	Total as of June 30, 2008	Minimum Legal Rating	Not Rated	Ratings as of Year End AAA	Exempt From Disclosure
Federal National Mortgage Association	\$ 1,412,248	A	\$ -	\$ 1,412,248	\$ -
U.S. Treasury notes	3,339,749	N/A	-	-	3,339,749
Local Agency Investment Fund (LAIF)	8,518,345	N/A	8,518,345	-	-
Ventura County Treasury Pool	2,433,916	N/A	2,433,916	-	-
Money market funds	54,534	N/A	54,534	-	-
Held by bond trustee:					
Money market funds	36,165	N/A	36,165	-	-
U.S. Treasury note	920,000	N/A	-	-	920,000
Total	\$ 16,714,957		\$ 11,042,960	\$ 1,412,248	\$ 4,259,749

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	
		<u>2009</u>	<u>2008</u>
Federal National Mortgage Association	Federal agency securities	\$ 1,377,800	\$ 1,412,248

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Triunfo Sanitation District investment policy do not contain legal or policy requirements that limit the exposure to custodial credit risk for deposits, other than the following provisions: The California Government Code requires that financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of pledged securities must equal 110% of the District's deposits.

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California law allows financial institutions to secure District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

The custodial risk for investment is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. All securities held in the Ventura County Treasurer investment pool are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

Investment in Ventura County Treasurer Investment Pool

The District is a voluntary participant in the Ventura County Treasurer's investment pool, which complies with the requirements of the California Government Code. Investments are stated at fair value. The fair value of the District's position in the pool is the same as the value of the pool shares. The District maintains a separate balance and investment income is allocated on a pro rata basis. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments is required under generally accepted accounting principles. The District's deposits in the fund are considered highly liquid.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code. The State of California's LAIF has oversight by the Local Agency Investment Advisory Board, which consists of the State Treasurer, two qualified members in the field of investment or finance, and two qualified government members of the state. Investments are stated at fair value and investment income is allocated on a pro rata basis. The District's deposits in the fund are considered highly liquid.

The total amount invested by all public agencies in LAIF is \$25.2 billion. LAIF is a part of the California Pooled Money Investment Account (PMIA), which at June 30, 2009 and 2008 had a balance of \$50.7 billion and \$70 billion, respectively. Of that amount 14.71% and 14.72%, respectively is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 235 days and 212 as of June 30, 2009 and 2008.

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2. Restricted Assets

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

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents restricted for:		
Customer deposits	\$ 163,632	\$ 162,974
North Shore maintenance and replacement reserve	92,223	90,296
Debt service reserves	676	600
Deferred revenue	<u>666,373</u>	<u>666,373</u>
Total restricted cash and cash equivalents	<u>922,904</u>	<u>920,243</u>
Investments restricted for:		
Debt service reserves	<u>920,000</u>	<u>921,150</u>
Total restricted investments	<u>920,000</u>	<u>921,150</u>
Total restricted assets	<u>\$ 1,842,904</u>	<u>\$ 1,841,393</u>

3. Accounts Receivable

Water sales and services, net – These receivables are comprised of services provided to customers in the Oak Park service area and are shown net of an allowance for uncollectible accounts. The allowance totals \$6,100 and \$5,676 at June 30, 2009 and 2008, respectively.

Sanitation fees – The District annually submits a list of customers and service charge amounts to the County of Ventura (County) who, in accordance with the California Government Code, adds these amounts to the annual property tax billing; then collects and distributes the amounts received to the District. Unpaid property tax bills become a lien on the property and, ultimately are collected by the County and paid to the District. Sewer line mitigation consists of amounts billed to a developer to repair sewer lines placed in service, but not repaired in accordance with District inspection reports during the initial one-year warranty period. Receivable amounts are shown net without an allowance for uncollectable accounts because all are deemed collectable.

Other, net – These receivables result from miscellaneous activities such as prior year taxes, cellular antenna site rental and reimbursed State mandated costs and are shown net of an allowance for uncollectable accounts. The allowance totals \$0 and \$3,572 at June 30, 2009 and June 30, 2008, respectively. Summary of accounts receivable as reported in the accompanying statement of net assets are shown as follows:

June 30, 2009

<u>Accounts receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Water sales and services	\$ 497,421	\$ (6,100)	\$ 491,321
Sanitation fees	384,439	-	384,439
Other receivables	<u>19,717</u>	<u>-</u>	<u>19,717</u>
Total accounts receivable	<u>\$ 901,577</u>	<u>\$ (6,100)</u>	<u>\$ 895,477</u>

June 30, 2008

<u>Accounts receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Water sales and services	\$ 708,005	\$ (5,676)	\$ 702,329
Sanitation fees	203,996	-	203,996
Other receivables	<u>17,409</u>	<u>(3,572)</u>	<u>13,837</u>
Total accounts receivable	<u>\$ 929,410</u>	<u>\$ (9,248)</u>	<u>\$ 920,162</u>

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4. Notes Receivable

Bell Canyon homeowners not included in the original assessment district approached District staff in September 1997 with requests for an extension of the Bell Canyon force main to serve their properties. Working together, the homeowners and District staff determined a grinder pump could be used to transport sewage solids to an extended main trunk line, and an agreement was reached relative to costs. Triunfo agreed to finance these costs, via notes to the homeowners, with amounts payable at six-month intervals over a five-year period beginning April 1, 1998. All of these notes have been prepaid. The District extended itself to serve these property owners, creating a true public/private partnership.

Further, the District Board developed a policy to cover future connections to the force main extension, and equalize costs for all participating homeowners. Thirty-three of 56 eligible homeowners decided to participate in loans for their share of the force main construction cost. Eight loans for force main extensions have been paid in full. Ten homeowners paid cash at installation. Additionally five homeowners participated in loans for grinder pump installation, four of the five loans have been paid in full with 2 homeowners paying cash at installation. Initial loans are held by the District as Notes Receivable. Subsequent loans are collected via a special assessment on the Ventura County tax rolls. The balances outstanding at June 30, 2009 and 2008 are \$8,400 and \$12,000, respectively.

5. Capital Assets

Construction in process - The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction in process balances at June 30 are as follows:

<u>Construction Projects</u>	<u>2009</u>	<u>2008</u>
Developer tracts in progress	\$ 374,543	\$ 374,543
CMOM System	-	127,941
Conifer Tank	1,497,582	1,051,789
Bell Cyn Lift Stn and Sewer Improvement	1,882	1,882
Lake Sherwood Lift Station	7,836	7,836
SCADA System	58,477	49,253
Total	\$ 1,940,320	\$ 1,613,244

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Changes in capital assets for 2009 were as follows:

	<u>Balance July 1, 2008</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2009</u>
Non-depreciable assets:				
Land	\$ 71,370	\$ -	\$ -	\$ 71,370
Construction -in-progress	1,613,244	490,725	(163,649)	1,940,320
Total non-depreciable assets	<u>1,684,614</u>	<u>490,725</u>	<u>(163,649)</u>	<u>2,011,690</u>
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collections systems	16,256,965	182,918	-	16,439,883
Recycled water systems	3,913,923	-	-	3,913,923
Potable water systems	13,776,134	-	-	13,776,134
Other physical property	95,809	163,649	-	259,458
Total depreciable assets	<u>34,763,665</u>	<u>346,567</u>	<u>-</u>	<u>35,110,232</u>
Accumulated depreciation and amortization:				
Structures and improvements	(37,501)	(44,028)	-	(81,529)
Wastewater collections systems	(6,521,843)	(245,894)	-	(6,767,737)
Recycled water systems	(1,086,048)	(72,576)	-	(1,158,624)
Potable water systems	(5,491,267)	(547,563)	-	(6,038,830)
Other physical property	(77,093)	28,079	-	(49,014)
Total accum depr. and amort.	<u>(13,213,752)</u>	<u>(881,982)</u>	<u>-</u>	<u>(14,095,734)</u>
Total depreciable assets, net	<u>21,549,913</u>	<u>(535,415)</u>	<u>-</u>	<u>21,014,498</u>
Total capital assets, net	<u>\$ 23,234,527</u>	<u>\$ (44,690)</u>	<u>\$ (163,649)</u>	<u>\$ 23,026,188</u>

Changes in capital assets for 2008 were as follows:

	<u>Balance July 1, 2007</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2008</u>
Non-depreciable assets:				
Land	\$ 71,370	\$ -	\$ -	\$ 71,370
Construction -in-progress	1,191,040	422,204	-	1,613,244
Total non-depreciable assets	<u>1,262,410</u>	<u>422,204</u>	<u>-</u>	<u>1,684,614</u>
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collections systems	16,128,617	128,348	-	16,256,965
Recycled water systems	3,913,923	-	-	3,913,923
Potable water systems	13,776,134	-	-	13,776,134
Other physical property	48,235	47,574	-	95,809
Total depreciable assets	<u>34,587,743</u>	<u>175,922</u>	<u>-</u>	<u>34,763,665</u>
Accumulated depreciation and amortization:				
Structures and improvements	(19,252)	(18,249)	-	(37,501)
Wastewater collections systems	(6,209,768)	(312,075)	-	(6,521,843)
Recycled water systems	(991,422)	(94,626)	-	(1,086,048)
Potable water systems	(5,055,390)	(435,877)	-	(5,491,267)
Other physical property	(77,093)	-	-	(77,093)
Total accum depr. and amort.	<u>(12,352,925)</u>	<u>(860,827)</u>	<u>-</u>	<u>(13,213,752)</u>
Total depreciable assets, net	<u>22,234,818</u>	<u>(684,905)</u>	<u>-</u>	<u>21,549,913</u>
Total capital assets, net	<u>\$ 23,497,228</u>	<u>\$ (262,701)</u>	<u>\$ -</u>	<u>\$ 23,234,527</u>

TRIUNFO SANITATION DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 and JUNE 2008**

6. Joint Venture

The District and Las Virgenes Municipal Water District are parties to a joint exercise of powers agreement to provide for construction, operation, maintenance and replacement of a joint sanitation system to serve the respective parties' needs. The LVMWD/TSD Joint Venture is governed by the individual Board of Directors of the two districts meeting in joint session. Equipment costs and contributions in aid of construction are shared in accordance with each district's capacity rights reserved in each component of the LVMWD/TSD Joint Venture system. While the districts own the system jointly, they each deal with their share of its financing individually. Thus, the LVMWD/TSD Joint Venture itself has no long-term debt. Operating costs and local maintenance are prorated and billed to the districts in accordance with the average monthly flows contributed to the system. LVMWD is designated the Administering Agent for facilities located in Los Angeles County. The following is a condensed summary of audited financial information for the LVMWD/TSD Joint Venture as of and for the years ended June 30, 2009 and June 30, 2008:

**TSD/LVMWD Joint Venture
Condensed Statements of Net Assets
(In Thousands of Dollars)**

	2009	2008	Change
Assets:			
Current assets	\$ 6,107	\$ 5,434	\$ 673
Capital assets, net	111,699	112,420	(721)
Total assets	117,806	117,854	(48)
Liabilities:			
Current liabilities	735	1,032	(297)
Non-current liabilities	5,372	4,402	970
Total liabilities	6,107	5,434	673
Net assets of participants invested in capital assets:			
Las Virgenes Municipal Water District	74,637	75,099	(462)
Triunfo Sanitation District	37,062	37,321	(259)
Total net assets	111,699	112,420	(721)
Total liabilities and net assets	\$ 117,806	\$ 117,854	\$ (48)

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 and JUNE 30, 2008

**TSD/LVMWD Joint Venture
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In Thousands of Dollars)**

	2009	2008	Change
Revenues:			
Operating revenues	\$ 1,428	\$ 1,735	\$ (307)
Non-operating revenues	82	130	(48)
Total revenues	1,510	1,865	(355)
Expenses:			
Operating expenses	15,036	14,702	334
Depreciation and amortization	5,854	5,754	100
Total expenses	20,890	20,456	434
Net loss before participant contributions	(19,380)	(18,591)	(789)
Billings to participants	13,526	12,838	688
Excess after billings to participants	(5,854)	(5,753)	(101)
Participants capital contributions	5,133	4,297	836
Change in Net Assets	(721)	(1,456)	735
Beginning Net Assets	112,420	113,876	(1,456)
Ending Net Assets	\$ 111,699	\$ 112,420	\$ (721)

The Financial Statements of the LVMWD/TSD Joint Venture can be obtained from:

Las Virgenes Municipal Water District
4232 Las Virgenes Road
Calabasas, California 91302

Triunfo Sanitation District
1001 Partridge Drive, Suite 150
Ventura, California 93003

Advances due (Payable) – Investment in Joint Venture - Pursuant to the LVMWD/TSD Joint Powers Agreement, each district is required to maintain advances with the LVMWD/TSD Joint Venture for the following purposes:

TSD Joint Venture Advances	2009	2008
Operating reserve advance	\$ 969,410	\$ 967,178
Construction advance	202,369	785,020
Replacement reserve advance	415,858	199,453
Total joint venture advances	\$ 1,587,637	\$ 1,951,651

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 and JUNE 2008

7. Deferred Charges

Net deferred charges for issuance and other costs associated with long term debt were \$270,641 and \$309,137 at June 30, 2009 and 2008, respectively.

8. Long Term Debt

1994 Refunding Revenue Bonds

In Fiscal Year 1988-89, two sales of Certificates of Participation (COPs) by the Corporation totaling \$10,000,000 were authorized. All these funds were loaned to the District for the purpose of paying its share of the costs of expansion of the jointly owned Tapia Wastewater Reclamation Facility. On October 12, 1994, the District issued \$9,200,000 in Variable Rate Demand Refunding Revenue Bonds with an interest rate not to exceed 12% (3% at June 30, 2009) to advance refund the outstanding \$9,200,000 of the 1988 and 1989 COPs. The combined principal payoff schedule remains the same, with variable interest determined by remarketing agent, Barclays' Capital. In October 2008, Barclays' Capital took over the District's Remarketing Agreement after acquiring Lehman Brothers. The total amount paid to the remarketing agents in FY2009 was \$6,876. The debt principal amount was not increased. The sole purpose of the refunding was to replace the Swiss Bank Corporation Letter of Credit (which enhanced the 1988 and 1989 COPs) with a Letter of Credit from the Banque Nationale de PInterest on the variable rate refunding revenue bond debt is paid at the Barclays' Capital weekly (Wednesday-to-Wednesday) remarketing rate per the remarketing agent. The net proceeds from issuance were used to pay in full the outstanding principal on the 1988 and 1989 COPs.

The District has pledged net revenues to pay the outstanding debt for the above mentioned outstanding debts. Net revenues are computed as gross revenues less operations and maintenance costs. Total principal and interest outstanding as of June 30, 2009 is \$6,745,000. During the year, principal and interest was \$680,000 and net revenue was \$1,170,565.

The associated Letter of Credit at Swiss Bank Corporation was replaced by a new one issued by Banque Nationale de Paris. The Letter of Credit is an irrevocable direct-pay-letter of credit in which the Trustee, Bank of New York will be authorized to make draws up to the aggregate of (i) an amount not exceeding \$9,200,000 to be used to pay the unpaid principal of the Bonds or portion of the purchase price of the Bonds purchased from the Owners, plus (ii) an amount not exceeding 60 days' accrued interest on the Bonds, calculated at the maximum rate of 12% per annum (on the basis of a 365/366 day year), to be used to pay accrued interest on such Bonds on or prior to their stated maturity or purchase date. On September 25, 2008, the trustee, Bank of New York, withdrew a total of \$900,000 from the Letter of Credit for the unpaid principal of the Bonds to be purchased and \$15,872.27 of accrued interest on the Bonds as defined in the terms of the Irrevocable Letter of Credit. The fee for the Letter of Credit (LOC) was .65 percent (.65%) and was increased to 1.25 percent (1.25%) in February 1, 2009 for the LOC extension. The LOC fees paid in FY2009 totaled \$49,665.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 and JUNE 30, 2008

In December 2008, Banque Nationale de Paris gave notice to the District of its intention of severing its relation with the District because they are no longer carrying bonds less than \$15 million dollars. After looking at various District options, the District Board approved paying off the bond. The balance outstanding as of June 30, 2009 is \$5,200,000. The bond was paid off in July 2009.

2002 Municipal Finance Corporation – Refunding Loan

On June 1, 1987, the Corporation authorized the sale of COPs for \$5,000,000. On October 1, 1992, the 1987 issue was refunded and \$4,045,000 was defeased and subsequently paid in full. On May 3, 2002, the 1992 issue was refinanced and \$2,660,000 was defeased and subsequently paid in full. The combined payoff schedule remains the same, with a fixed interest rate of 4.15%. The debt principal amount was not increased. As of June 30, 2008 the refunding loan was paid in full.

2003 Municipal Finance Corporation – Refunding Loan

On April 1, 1993, the Corporation authorized the sale of COPs for \$9,675,000 to fund the District's acquisition of the Metropolitan Water Company, now known as the Oak Park Water Service. The acquisition, completed September 30, 1993, utilized substantially all funds. On February 6, 2003, Triunfo Sanitation District entered into a Loan Agreement with Municipal Finance Corporation in the amount of \$6,655,000. The \$6,655,000, with an interest rate of 3.93%, was used to advance refund all outstanding 1993 Water Installment Certificates with an interest rate range of 5.1% to 5.7%. A total of \$7,648,673 was deposited with an escrow agent, which comprised of \$6,655,000 from the 2003 principal amount of the loan and \$993,673 in bond reserve funds used to pay down the outstanding principal, interest and call premium on the 1993 Water Installment Certificates. The escrow agent purchased a \$7,534,469 U.S. Government security (SLGS) and deposited it into an irrevocable trust to provide for all future debt service payments on the 1993 Water Installment Certificates. As a result, the 1993 Water Installment Certificates are considered defeased and the liability for those obligations have been removed from the financial statements. As of June 30, 2009 the amount of defeased debt outstanding is zero. The final maturity date of the 2003 Loan Agreement is June 1, 2013, and the maximum annual debt service is \$803,992. The balance outstanding as of June 30, 2009 is \$2,475,000.

The following table summarizes the District's debt at June 30, 2009.

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at June 30, 2009</u>	<u>Amounts Due in One Year</u>
Bonds and Loans Payable:					
1994 Refunding Revenue Bonds	\$ 5,600,000	\$ -	\$ (400,000)	\$ 5,200,000	\$ (400,000)
2003 Refunding loan	<u>3,155,000</u>	<u>-</u>	<u>(680,000)</u>	<u>2,475,000</u>	<u>(695,000)</u>
Total long-term debt	8,755,000	\$ <u>-</u>	\$ <u>(1,080,000)</u>	7,675,000	\$ <u>(1,095,000)</u>
Less current portion	<u>(1,080,000)</u>			<u>(1,095,000)</u>	
Total long-term portion	\$ <u><u>7,675,000</u></u>			\$ <u><u>6,580,000</u></u>	

TRIUNFO SANITATION DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 and JUNE 2008**

The following table summarizes the District's debt at June 30, 2008.

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Amounts Due in One Year</u>
Bonds and Loans Payable:					
1994 Refunding Revenue Bonds	\$ 6,000,000	\$ -	\$ (400,000)	\$ 5,600,000	\$ (400,000)
2002 Refunding loan	410,000	-	(410,000)	-	-
2003 Refunding loan	<u>3,800,000</u>	<u>-</u>	<u>(645,000)</u>	<u>3,155,000</u>	<u>(680,000)</u>
Total long-term debt	10,210,000	<u>\$ -</u>	<u>\$ (1,455,000)</u>	8,755,000	<u>\$ (1,080,000)</u>
Less current portion	<u>(1,455,000)</u>			<u>(1,080,000)</u>	
Total long-term portion	<u>\$ 8,755,000</u>			<u>\$ 7,675,000</u>	

The annual requirement to amortize the revenue bonds and refunding loan are as follows:

<u>Fiscal Year</u>	<u>1994 Refunding Revenue Bonds</u>			<u>2003 Refunding loan</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest Variable Rate (1)</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 5,200,000	\$ 400,000	\$ 260,000	\$ 695,000	\$ 97,268
2011	4,800,000	400,000	240,000	710,000	69,954
2012	4,400,000	500,000	220,000	700,000	42,051
2013	3,900,000	500,000	195,000	370,000	14,541
2014	3,400,000	500,000	170,000	-	-
2015-2019	2,900,000	<u>2,900,000</u>	<u>460,000</u>	<u>-</u>	<u>-</u>
Total		5,200,000	1,545,000	2,475,000	223,814
Less current portion		<u>(400,000)</u>	<u>(260,000)</u>	<u>(695,000)</u>	<u>(97,268)</u>
Total non-current		<u>\$ 4,800,000</u>	<u>\$ 1,285,000</u>	<u>\$ 1,780,000</u>	<u>\$ 126,546</u>

(1) Includes variable interest rate on revenue bond at 5% interest rate. The bonds were paid in full in July 2009.

Developer Refund Agreements - Long-term payables consisting of Developer Refund Agreements acquired by the District with the purchase of the Metropolitan Water Company for the repayment of water system construction costs. Developer Refund Agreements are paid at the rate of one-fortieth of the total agreement amount annually in October with no interest accruing or paid.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 and JUNE 30, 2008

The following summarizes the District's Developer Refund Agreement obligations at June 30, 2009:

Developer/Tract	Balance at July 1, 2008	Additions	Payments/ Deletions	Balance at June 30, 2009	Amounts Due in One Year
CalProp/4315	\$ 89,856	\$ -	\$ (3,744)	\$ 86,112	\$ (3,744)
Grupe/3984	86,305	-	(4,957)	81,348	(4,930)
Morrison/4071	295,903	-	(11,835)	284,068	(11,835)
Warmington/4474	188,849	-	(6,745)	182,104	(6,745)
Total developer refunds	660,913	\$ -	\$ (27,281)	633,632	\$ (27,254)
Less current portion	(27,281)			(27,254)	
Total long-term portion	\$ 633,632			\$ 606,378	

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

Fiscal Year	Principal
2010	27,254
2011	27,254
2012	27,254
2013	27,254
2014	27,254
2015-2019	136,270
2020-2024	136,270
2025-2029	136,270
2030-2033	88,552
Total	633,632
Less current portion	(27,254)
Total non-current	\$ 606,378

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 and JUNE 2008

9. Net Assets

The following is the detail of restricted net assets:

The balance at June 30, consists of the following:	<u>2009</u>	<u>2008</u>
Capital assets, net	\$ 23,026,188	\$ 23,234,527
Loan payable-current portion	(695,000)	(680,000)
Bonds payable-current portion	(400,000)	(400,000)
Developer refunds payable-current portion	(27,254)	(27,281)
Non-current liabilities:		
Bonds payable	(4,800,000)	(5,200,000)
Loans payable	(1,780,000)	(2,475,000)
Developer refund agreements	(606,378)	(633,632)
Total invested in capital assets, net of related debt	<u>\$ 14,717,556</u>	<u>\$ 13,818,614</u>

Restricted for debt service:

The balance at June 30, consists of the following:	<u>2009</u>	<u>2008</u>
Current assets, restricted	\$ 1,842,904	\$ 1,841,393
Customer deposits	(163,632)	(162,974)
Unearned revenue	(666,373)	(666,373)
Total restricted - debt service	<u>\$ 1,012,899</u>	<u>\$ 1,012,046</u>

C. OTHER INFORMATION

1. Risk Management

Joint Powers Insurance Authority

California Sanitation Risk Management Authority (CSRMA) is a joint powers authority (JPA) created to provide a self-insurance program to sanitation agencies in the State of California. CSRMA provides liability, property and workers' compensation insurance for approximately 58 sanitation agencies for losses in excess of the members' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. A Board of Directors composed of members from participating districts governs CSRMA. The Board controls the operations of CSRMA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member of CSRMA shares surpluses and deficiencies proportionate to its participation in CSRMA.

The financial statements of CSRMA may be obtained from:

CSRMA
C/o Driver Alliant Insurance Services
500 Washington Street, Suite 300
San Francisco, California 94111-2711

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 and JUNE 30, 2008

Joint Venture Insurance

The District is insured for a variety of potential exposures associated with the LVMWD/TSD Joint Venture. The LVMWD/TSD Joint Venture is a named insured in the liability and property insurance program of the LVMWD. LVMWD retained American Protection Insurance Company, a member of the Kemper Insurance Company, for general liability, property, auto and physical damage. The coverage for the general liability provides \$25 million per occurrence and \$35 million in the aggregate with a \$50,000 deductible per occurrence. The coverage for the property provides \$50 million per occurrence with a deductible of \$10,000 per occurrence.

Effective July 1, 2002, the LVMWD/TSD Joint Venture retained S.N. Potter Insurance Company/ Discover Property & Casualty Insurance Company for its workers' compensation insurance coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2009, 2008 and 2007. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2009 and 2008.

2. Commitments and Contingencies

At June 30, 2009, the District had no contractual commitments with outside firms for engineering, consulting, or other various supplies and services.

The District is involved in litigation encountered in the normal course of business. In certain of these matters, the defense costs and settlement costs, if any, are covered by the District's liability insurance policies. In the opinion of management, there is no pending litigation, other than disclosed above, that would materially affect the District's liability insurance policies or financial position.

3. Subsequent events

In May 2009, the Joint Powers Authority (JPA) applied for funding under the American Recovery and Reinvestment Act of 2009 (ARRA), Bureau of Reclamation Challenge Grant Program: Recovery Act 2009 Water Marketing and Efficiency Grants for the construction of the Mulholland Highway Recycled Water Transmission Main. The grant was awarded to the JPA on August 2009 in the amount of \$1,799,474. This grant will fund approximately 41% of the project cost.

In December 2008, Banque Nationale de Paris, Irrevocable Letter of Credit career related to the 2003 Municipal Finance Corporation – Refunding Loan, gave notice to the District of its intention of severing its relation with the District. Banque Nationale de Paris extended the Letter of Credit that was expiring in January 31, 2009 to May 2009 and again until July 31, 2009 to assist the District in finding another LOC carrier. However, after looking at various District options, the District Board approved paying off the bond. The balance outstanding as of June 30, 2009 is \$5,200,000. The bond was paid off in July 2009.

TRIUNFO SANITATION DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 and JUNE 2008**

D. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2009, that has effective dates that may impact future presentations.

GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, effective for financial statements for periods beginning after June 15, 2009, establishes criteria for accounting and financial reporting of intangible assets such as easements, water rights, timber rights, patents, trademarks, and computer software. The District intends to implement the new requirements for the fiscal year 2009-10 financial statements to the extent that they are applicable to the District.

GASB Statement 53, *Accounting and Financial Report for Derivative Instruments*, effective for financial statements for periods beginning after June 15, 2009, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The District intends to implement the new requirements for the fiscal year 2009-10 financial statements to the extent that they are applicable to the District.