

To the Board of Directors of the
Triunfo Sanitation District
Ventura, California

Independent Auditor's Report

We have audited the basic financial statements of the Triunfo Sanitation District (District), as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining schedules listed as supplementary information in the table of contents, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

December 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

This section of the Triunfo Sanitation District's (District) Comprehensive Annual Financial Report (CAFR) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. This discussion and analysis should be read in conjunction with the transmittal letter at the front of this page and the District's basic financial statements following this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$66.9 million (*net assets*). Of the \$46.6 million (*unrestricted net assets*), \$10.5 million may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$1.6 million, or 2.3%.
- The District's total revenues decreased by 2.3% to \$12.7 million and total expenses increased by .2% to \$14.3 million.

Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include two components: 1) enterprise fund financial statements; and 2) notes to the financial statements. In addition, required supplementary information, supplementary information, and statistical information are also included in the CAFR.

Basic Financial Statements The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The basic financial statements can be found on pages 20-24 of this report.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *Statement of Cash Flows* presents relevant information about the cash receipts and cash payments for the period categorized according to whether they stem from operating, non-capital financing, capital and related financing and investing activities. It helps users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for financing. It also helps assess the effects on the District's financial position of changes in its cash and non-cash investing, capital and financing transactions during the period.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are an integral part of the financial statements. The notes to the financial statements can be found on pages 25-44 of this report.

Financial Analysis of the District

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the District's activities in a way that will help answer questions as to whether the District, as a whole, is better or worse off as a result of the year's activities. These two statements report the net assets of the District and changes in them. You can think of the District's net assets as the difference between assets (what is owned) and liabilities (what is owed) and one way to measure its financial health or position.

Condensed Statements Net Assets

To begin our analysis, a Condensed Statement of Net Assets is presented in the following table for our analysis.

Condensed Statements of Net Assets

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 12,226,578	\$ 16,548,508	\$ (4,321,930)	-26.1%
Restricted assets	667,673	1,842,904	(1,175,231)	-63.8%
Non-current assets	54,808	270,641	(215,833)	-79.7%
LVMWD/TSD-joint venture	36,068,833	37,062,411	(993,578)	-2.7%
Capital assets, net	<u>22,627,375</u>	<u>23,026,188</u>	<u>(398,813)</u>	<u>-1.7%</u>
Total assets	<u>\$ 71,645,267</u>	<u>\$ 78,750,652</u>	<u>\$ (7,105,385)</u>	<u>-9.0%</u>
Liabilities:				
Liabilities payable from unrestricted assets	\$ 2,457,728	\$ 1,876,143	\$ 581,585	31.0%
Liabilities payable from restricted assets	667,673	1,230,005	(562,332)	-45.7%
Non-current liabilities	<u>1,649,124</u>	<u>7,186,378</u>	<u>(5,537,254)</u>	<u>-77.1%</u>
Total liabilities	<u>4,774,525</u>	<u>10,292,526</u>	<u>(5,518,001)</u>	<u>-53.6%</u>
Net assets:				
Net investment in capital assets	20,240,997	15,637,556	4,603,441	29.4%
Restricted for debt service	-	92,899	(92,899)	-100.0%
Unrestricted	<u>46,629,745</u>	<u>52,727,671</u>	<u>(6,097,926)</u>	<u>-11.6%</u>
Total net assets	<u>66,870,742</u>	<u>68,458,126</u>	<u>(1,587,384)</u>	<u>-2.3%</u>
Total liabilities and net assets	<u>\$ 71,645,267</u>	<u>\$ 78,750,652</u>	<u>\$ (7,105,385)</u>	<u>-9.0%</u>

Net assets include three components: *Invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.*

The largest component of the District's net assets (\$46.6 million) is the unrestricted net assets. \$36.1 million reflects the District's investment in a Joint Venture with the Las Virgenes Municipal Water District and the remaining \$10.5 million may be used to meet the District's ongoing obligations to creditors and constituencies. The District's investment is equivalent to property, plant and equipment within the Joint Venture offset by operating costs. Additional information regarding the District's investment in the Joint Venture can be located in note B-6 on pages 37-38.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Another component of the District's net assets of \$20.2 million reflects capital assets net of accumulated depreciation less any outstanding debt used to acquire them. The District uses these capital assets to provide services to its constituency; consequently, they are not available for future spending. Although the District's investment in its capital assets is reported net of related debt and other payables, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The third and final component of the District's net assets is the restricted net assets which represents resources that are subject to external restrictions of how they may be used. Loan agreements relating to long-term debt restrict certain amounts for debt service, as well as restricted funding received in advanced of expenses. These restricted net assets are not available for other uses by the District.

The District's investment in Joint Venture with the Las Virgenes Municipal Water District is \$36.1 million, 53.9% of total District net assets and 77.4% of the District's unrestricted net assets. This investment is equivalent to property, plant and equipment within the Joint Venture offset by operation cost.

The total net assets decreased by \$1.6 million to \$66.7 million in FY 2010. The decrease in net assets was attributed primarily to paying off the interest related to 1994 Refunding Revenue Bonds in July 2009 and the ongoing expenses in the LVMWD/TSD joint venture.

Condensed Statements of Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 16,548,508	\$ 13,555,051	\$ 2,993,457	22.1%
Restricted assets	1,842,904	1,841,393	1,511	0.1%
Non-current assets	270,641	5,061,134	(4,790,493)	-94.7%
LVMWD/TSD-joint venture	37,062,411	37,320,667	(258,256)	-0.7%
Capital assets, net	<u>23,026,188</u>	<u>23,234,527</u>	<u>(208,339)</u>	<u>-0.9%</u>
Total assets	<u>\$ 78,750,652</u>	<u>\$ 81,012,772</u>	<u>\$ (2,262,120)</u>	<u>-2.8%</u>
Liabilities:				
Liabilities payable from unrestricted assets	\$ 1,876,143	\$ 1,791,227	\$ 84,916	4.7%
Liabilities payable from restricted assets	1,230,005	1,229,347	658	0.1%
Non-current liabilities	<u>7,186,378</u>	<u>8,308,632</u>	<u>(1,122,254)</u>	<u>-13.5%</u>
Total liabilities	<u>10,292,526</u>	<u>11,329,206</u>	<u>(1,036,680)</u>	<u>-9.2%</u>
Net assets:				
Net investment in capital assets	15,637,556	13,818,614	1,818,942	13.2%
Restricted for debt service	92,899	1,012,046	(919,147)	-90.8%
Unrestricted	<u>52,727,671</u>	<u>54,852,906</u>	<u>(2,125,235)</u>	<u>-3.9%</u>
Total net assets	<u>68,458,126</u>	<u>69,683,566</u>	<u>(1,225,440)</u>	<u>-1.8%</u>
Total liabilities and net assets	<u>\$ 78,750,652</u>	<u>\$ 81,012,772</u>	<u>\$ (2,262,120)</u>	<u>-2.8%</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

In FY 2009, the District investment in Joint Venture with the Las Virgenes Municipal Water District was \$37.1 million, 54% of total District net assets and 67.9% of the District's unrestricted net assets. This investment is equivalent to property, plant and equipment within the Joint Venture offset by operation costs.

As seen in the table on page 14, total net assets decreased by \$1.2 million to \$68.5 million in FY 2009. The decrease in net assets was attributed primarily to a \$1.1 million decrease in total revenues.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

A condensed Statement of Revenues, Expenses and Changes in Net Assets is presented in the following table for our analysis. While the Statement of Net Assets shows the change in financial position of the District's net assets, the Statement of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of these changes. As previously mentioned, the decrease in total net assets was \$1.6 million in FY 2010.

Total revenues decreased by \$295,000 (2.3%) compared to fiscal year 2009. Recycled water and potable water both are highly cyclical in nature due to the weather and some conservation efforts; both showed increases in 2010. Recycled water sales increased by \$84,500 and potable water sales by \$570,500. In addition, sanitation fees decreased by \$483,100 in response to the decrease in sewer rate fees implemented in September 2009. Interest and investment earnings decreased by \$506,100 compared to 2009 due to the 1994 Refunding Revenue Bonds payoff (\$5,200,000) in July 2009 and the ongoing financial crisis.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 12,550,843	\$ 12,372,603	\$ 178,240	1.4%
Non-operating revenues	185,050	658,055	(473,005)	-71.9%
Total revenues	<u>12,735,893</u>	<u>13,030,658</u>	<u>(294,765)</u>	<u>-2.3%</u>
Expenses:				
Operating expenses	11,433,846	10,799,380	634,466	5.9%
Depreciation and amortization	879,346	881,982	(2,636)	-0.3%
Change in investment LVMWD/TSD	1,689,237	2,315,646	(626,409)	-27.1%
Non-operating expenses	322,029	302,208	19,821	6.6%
Total expenses	<u>14,324,458</u>	<u>14,299,216</u>	<u>25,242</u>	<u>0.2%</u>
Net income (loss) before contributions	(1,588,565)	(1,268,558)	(320,007)	25.2%
Capital contributions	1,181	43,118	(41,937)	-97.3%
Change in net assets	(1,587,384)	(1,225,440)	(361,944)	29.5%
Net assets, beginning of year	<u>68,458,126</u>	<u>69,683,566</u>	<u>(1,225,440)</u>	<u>-1.8%</u>
Net assets, end of year	<u>\$ 66,870,742</u>	<u>\$ 68,458,126</u>	<u>\$ (1,587,384)</u>	<u>-2.3%</u>

Total expenses primarily stayed constant when compared to fiscal year 2009. The majority of the increase was due to the \$634,500 in the operating expenses specifically for potable water costs (\$173,500),

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

professional, management & administrative services (\$497,900) for the various continuing projects such as the Conifer Tank, long range financial planning study, fees and rate structures, water shortage contingency plan, and water conservation program, and the capital investment expenses for the Las Virgenes and Triunfo Sanitation District Joint Venture decreased by \$626,400.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Operating revenues	\$ 12,372,603	\$ 13,050,918	\$ (678,315)	-5.2%
Non-operating revenues	<u>658,055</u>	<u>1,109,956</u>	<u>(451,901)</u>	<u>-40.7%</u>
Total revenues	<u>13,030,658</u>	<u>14,160,874</u>	<u>(1,130,216)</u>	<u>-8.0%</u>
Expenses:				
Operating expenses	10,799,380	10,214,979	584,401	5.7%
Depreciation and amortization	881,982	860,827	21,155	2.5%
Change in investment LVMWD/TSD	2,315,646	1,720,850	594,796	34.6%
Non-operating expenses	<u>302,208</u>	<u>463,563</u>	<u>(161,355)</u>	<u>-34.8%</u>
Total expenses	<u>14,299,216</u>	<u>13,260,219</u>	<u>1,038,997</u>	<u>7.8%</u>
Net income (loss) before contributions	(1,268,558)	900,655	(2,169,213)	-240.8%
Capital contributions	<u>43,118</u>	<u>128,348</u>	<u>(85,230)</u>	<u>-66.4%</u>
Change in net assets	(1,225,440)	1,029,003	(2,254,443)	-219.1%
Net assets, beginning of year	<u>69,683,566</u>	<u>68,654,563</u>	<u>1,029,003</u>	<u>1.5%</u>
Net assets, end of year	<u>\$ 68,458,126</u>	<u>\$ 69,683,566</u>	<u>\$ (1,225,440)</u>	<u>-1.8%</u>

Total revenues decreased by \$1.1 million (8.0%) compared to fiscal year 2008. Recycled water and potable water both are highly cyclical in nature due to the weather and some conservation efforts; both showed decreases in 2009. Recycled water sales decreased by \$463,900 and potable water sales by \$280,000. In addition, connection fees decreased by \$306,300 compared to fiscal year 2008.

Total expenses increased by \$1.0 million (7.8%) compared to fiscal year 2008. The majority of the increase was due to the \$594,800 increase in the LVMWD/TSD joint venture costs, and \$584,400 in the operating expenses specifically for potable water costs (\$135,400), professional, management & administrative services (\$401,400) for the various projects such as the Conifer Tank, long range financial planning study, fees and rate structures, water shortage contingency plan, and water conservation program.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2010, (at cost) amounted to \$37.6 million or \$22.6 million (net of accumulated depreciation). The District's capital assets include land and land improvements, structures and improvements, construction in progress, equipment and infrastructures.

The District's investment in capital assets of of June 30, 2010, decreased by (\$398,813) to a new total of \$22.6 million (net of accumulated depreciation), as follows:

Changes in capital asset amounts for 2010 were:

	<u>Balance 2009</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2010</u>
Capital Assets:				
Non-depreciable assets	\$ 2,011,690	\$ 291,878	\$ (94,080)	\$ 2,209,488
Depreciable assets	35,110,232	284,647	(1,912)	35,392,967
Accumulated depreciation and amortization	<u>(14,095,734)</u>	<u>(879,346)</u>	<u>-</u>	<u>(14,975,080)</u>
Total capital assets, net	<u>\$ 23,026,188</u>	<u>\$ (302,821)</u>	<u>\$ (95,992)</u>	<u>\$ 22,627,375</u>

Changes in capital asset amounts for 2009 were:

	<u>Balance 2008</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2009</u>
Capital Assets:				
Non-depreciable assets	\$ 1,684,614	\$ 490,725	\$ (163,649)	\$ 2,011,690
Depreciable assets	34,763,665	346,567	-	35,110,232
Accumulated depreciation and amortization	<u>(13,213,752)</u>	<u>(881,982)</u>	<u>-</u>	<u>(14,095,734)</u>
Total capital assets, net	<u>\$ 23,234,527</u>	<u>\$ (44,690)</u>	<u>\$ (163,649)</u>	<u>\$ 23,026,188</u>

Major capital asset events during the fiscal year 2010 included the following:

- Lake Sherwood Back Up Generator - \$66,507
- Buckskin Back Up Generator - \$28,372
- Deerhill Back Up Generator - \$93,776
- Accumulated depreciation - \$879,346

Major capital asset events during the fiscal year 2009 included the following:

- Water Systems Collections - \$43,118
- Bell Canyon Lift Station - \$139,800
- Accumulated depreciation - \$882,000

Additional information on the District's capital assets can be found in note B-5 pages 35 and 36 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Debt Administration

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at June 30, 2010</u>
Long-term debt:				
1994 Refunding Revenue Bonds	\$ 5,200,000	\$ -	\$ (5,200,000)	\$ -
2003 Refunding Loan	<u>2,475,000</u>	<u>-</u>	<u>(695,000)</u>	<u>1,780,000</u>
Total long-term debt	7,675,000	<u>\$ -</u>	<u>\$ (5,895,000)</u>	1,780,000
Less current portion	<u>(1,095,000)</u>			<u>(710,000)</u>
Total long-term portion	<u>\$ 6,580,000</u>			<u>\$ 1,070,000</u>

The District's long-term debt outstanding as of June 30, 2010, was \$1,780,000.

The District's long-term debt outstanding as of June 30, 2009, was \$7,675,000.

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

Additional information on the District's long-term liabilities can be found in note B-8 on pages 39-41 of this report.

Economic Factors and Next Year's Budget and Rates

The District's elected and appointed officials considered the factors mentioned above when setting the fiscal-year 2011 budget, rates and fees. In March 2010, the Board in conjunction with the Ventura Regional Sanitation District (VRSD) Board better identified the methodology or percentages of recovery costs for overhead charges with the processing of contract labor, services, supplies, equipment and capital purchases identified in TSD/VRSD Contract No. 90-97. The outside contract labor rate of 35% was eliminated, all capital items as defined by the Government Finance Officers Association (GFOA) and Government Accounting Standards Board (GASB) guidelines will be processed directly through TSD and VRSD will bill labor on a time and material basis to process these purchases, and the overhead charge for supplies, services and equipment will remain at 15% percent.

In addition, any costs that cannot be charged directly to each of the District's business segments are allocated based on the business segment's total revenue.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in them. Questions concerning any of the information provided should be addressed to the Director of Finance & Administration, Triunfo Sanitation District, 1001 Partridge Drive, Suite 150, Ventura, California, 93003-0704. Please visit the District's website at www.trunfosanitationdistrict.com.

**TRIUNFO SANITATION DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2010 and 2009**

<u>Assets</u>		<u>2010</u>	<u>2009</u>
Current assets:			
Cash and cash equivalents	(Note B1)	\$ 7,899,791	\$ 11,357,021
Investments	(Note B1)	-	2,445,130
Accrued interest receivable		29,457	125,161
Accounts receivable – water sales and services, net	(Note B3)	710,425	491,321
Accounts receivable – sanitation fees	(Note B3)	320,152	384,439
Accounts receivable – other, net	(Note B3)	38,261	19,717
Notes receivable – sewer extension line	(Note B4)	-	8,387
Advances due – investment-in-joint venture LVMWD/TSD	(Note B6)	3,095,137	1,587,637
Water-in-storage inventory		67,921	67,921
Prepaid and other		65,434	61,774
Total current assets – unrestricted		<u>12,226,578</u>	<u>16,548,508</u>
Restricted current assets:			
Cash and cash equivalents	(Note B2)	667,673	922,904
Investments	(Note B2)	-	920,000
Total current assets – restricted		<u>667,673</u>	<u>1,842,904</u>
Total current assets – unrestricted and restricted		<u>12,894,251</u>	<u>18,391,412</u>
Non-current assets			
Capital assets, net	(Note B5)	22,627,375	23,026,188
Investment-in-joint venture LVMWD/TSD	(Note B6)	36,068,833	37,062,411
Deferred charges, net	(Note B7)	54,808	270,641
Total non-current assets		<u>58,751,016</u>	<u>60,359,240</u>
Total assets		<u>\$ 71,645,267</u>	<u>\$ 78,750,652</u>

(Continued on next page)

TRIUNFO SANITATION DISTRICT
STATEMENTS OF NET ASSETS (continued)
JUNE 30, 2010 and 2009

Liabilities and Net Assets	2010	2009
Current liabilities:		
Payable from current assets:		
Accounts payable and accrued expenses	\$ 1,713,660	\$ 1,143,670
Accrued interest payable – loan	6,814	10,219
Loan payable – current portion (Note B8)	710,000	695,000
Developer refund agreements – current portion (Note B8)	27,254	27,254
Payable from current assets – unrestricted	<u>2,457,728</u>	<u>1,876,143</u>
Payable from restricted current assets:		
Customer deposits	1,300	163,632
Unearned Revenue	666,373	666,373
Bonds payable – current portion (Note B8)	-	400,000
Payable from restricted current assets	<u>667,673</u>	<u>1,230,005</u>
Total current liabilities – unrestricted and restricted	<u>3,125,401</u>	<u>3,106,148</u>
Non-current liabilities:		
Bonds payable (Note B8)	-	4,800,000
Loans payable (Note B8)	1,070,000	1,780,000
Developer refund agreements (Note B8)	579,124	606,378
Total non-current liabilities	<u>1,649,124</u>	<u>7,186,378</u>
Total liabilities	<u>4,774,525</u>	<u>10,292,526</u>
Net assets:		
Invested in capital assets, net of related debt (Note B9)	20,240,997	14,717,556
Restricted – debt service (Note B9)	-	1,012,899
Unrestricted	46,629,745	52,727,671
Total net assets	<u>66,870,742</u>	<u>68,458,126</u>
Total liabilities and net assets	<u>\$ 71,645,267</u>	<u>\$ 78,750,652</u>

See accompanying notes to the financial statements.

**TRIUNFO SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Sanitation fees	\$ 6,550,564	\$ 7,033,630
Potable water sales	3,321,834	2,751,363
Recycled water sales	1,346,428	1,261,914
Water meter service fees	1,208,412	1,215,791
Connection fees	53,985	26,308
Other charges for services	69,620	83,597
Total operating revenues	<u>12,550,843</u>	<u>12,372,603</u>
Operating expenses:		
Wastewater treatment	4,300,816	4,368,737
Potable water purchased	2,624,592	2,451,137
Recycled water purchased	1,057,027	1,026,030
Professional services	320,268	187,501
Management and administrative	3,131,143	2,765,975
Total operating expenses	<u>11,433,846</u>	<u>10,799,380</u>
Operating income before depreciation	1,116,997	1,573,223
Depreciation and amortization	<u>(879,346)</u>	<u>(881,982)</u>
Operating income	<u>237,651</u>	<u>691,241</u>
Non-operating revenue(expense)		
Change in investment-in-joint venture LVMWD/TSD (Note B6)	(1,689,237)	(2,315,646)
Rental revenue - cellular antennas	147,450	121,381
Interest and investment earnings	17,984	524,115
Interest expense	(104,124)	(230,414)
Debt administration and amortization of deferred charges	(217,905)	(71,794)
Other, net	19,616	12,559
Total non-operating expenses, net	<u>(1,826,216)</u>	<u>(1,959,799)</u>
Net loss before capital contributions	<u>(1,588,565)</u>	<u>(1,268,558)</u>
Capital contributions		
Donated assets	1,181	43,118
Total capital contributions	<u>1,181</u>	<u>43,118</u>
Change in net assets	(1,587,384)	(1,225,440)
Net assets, beginning of year	<u>68,458,126</u>	<u>69,683,566</u>
Net assets, end of year	<u>\$ 66,870,742</u>	<u>\$ 68,458,126</u>

See accompanying notes to the financial statements.

**TRIUNFO SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers for water sales and services	\$ 5,711,947	\$ 5,467,044
Return of customer deposits	(162,724)	-
Receipts from customers for sanitation services	6,614,851	6,853,187
Receipts for other services	70,692	90,276
Payments to vendors for materials and services	<u>(10,867,517)</u>	<u>(10,777,123)</u>
Net cash provided by operating activities	<u>1,367,249</u>	<u>1,633,384</u>
Cash flows from non-capital financing activities:		
Advances due – investment-in-joint venture LVMWD/TSD facility	<u>(2,203,159)</u>	<u>(1,693,376)</u>
Net cash used in non-capital financing activities	<u>(2,203,159)</u>	<u>(1,693,376)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(479,352)	(630,525)
Principal and interest paid on long-term debt	<u>(6,031,855)</u>	<u>(1,370,994)</u>
Net cash used in capital and related financing activities	<u>(6,511,207)</u>	<u>(2,001,519)</u>
Cash flows from investing activities:		
Principal received on notes, net – sewer line extention	8,387	3,640
Proceeds from rental revenue - cellular antennas	147,450	121,381
Proceeds from interest and investment earnings	283,481	619,681
Proceeds from sales and maturities of investments	<u>3,195,338</u>	<u>2,238,000</u>
Net cash provided by investing activities	<u>3,634,656</u>	<u>2,982,702</u>
Net increase(decrease) in cash and cash equivalents	(3,712,461)	921,191
Cash and cash equivalents (unrestricted and restricted), beginning of year	<u>12,279,925</u>	<u>11,358,734</u>
Cash and cash equivalents (unrestricted and restricted), end of year	<u>\$ 8,567,464</u>	<u>\$ 12,279,925</u>
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and cash equivalents	\$ 7,899,791	\$ 11,357,021
Restricted cash and cash equivalents	<u>667,673</u>	<u>922,904</u>
Total cash and cash equivalents	<u>\$ 8,567,464</u>	<u>\$ 12,279,925</u>

(Continued on next page)

See accompanying notes to the financial statements.

**TRIUNFO SANITATION DISTRICT
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 237,651	\$ 691,241
Adjustments to reconcile operating income to net cash provided by operating activities:		
Deprecation and amortization	879,346	881,982
Other non-operating income, net	19,616	12,559
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(219,104)	211,008
Accounts receivable – sanitation fees	64,287	(180,443)
Accounts receivable – other, net	(18,544)	(5,880)
Prepaid and other	(3,660)	(47,686)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	569,989	69,945
Customer deposits	(162,332)	658
Total adjustments	<u>1,129,598</u>	<u>942,143</u>
Net cash provided by operating activities	<u>\$ 1,367,249</u>	<u>\$ 1,633,384</u>
Noncash investing, capital, and financing activities:		
Capital assets donated	\$ 1,181	\$ 43,118

See accompanying notes to the financial statements.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 2009

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

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

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.

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures issues on or before subsequent to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected under GASB Statement No 20. *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, not to apply FASB Statement and Interpretations issued after November 30, 1989, due to the nature of District operations.

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 the District Board of Directors is used for planning, serves as a basis for monitoring

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 2009

financial progress, and determines future service charge rates. During the fiscal year, the budget may be amended as circumstances or levels of operations dictates.

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 for customer deposits and prepaid sewer connection fees for the Lake Sherwood project.

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, 2010 and 2009 were \$1,061,709 and \$969,400, 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, 2010 and 2009 were \$618,414 and \$202,400, 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, 2010 and 2009 were \$1,415,014 and \$415,900, 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.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 and JUNE 30, 2009

Prepaid and other - Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid

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. (Sherwood), 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 - Net assets reported on the statement of net assets are displayed in 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

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 2009

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>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 7,899,791	\$ 11,357,021
Restricted cash and cash equivalents	667,673	922,904
Restricted investments	-	920,000
Investments	-	2,445,130
Total Cash and Investments	<u>\$ 8,567,464</u>	<u>\$ 15,645,055</u>

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents		
Local Agency Investment Fund (LAIF)	\$ 25,867	\$ 2,514,188
Ventura County Treasury Pool	8,191,372	9,254,412
Money market funds	-	241,523
Money market funds	-	35,391
Sweep account	<u>350,225</u>	<u>234,411</u>
Total Cash and Cash Equivalents	<u>\$ 8,567,464</u>	<u>\$ 12,279,925</u>

At June 30, 2010, and 2009, the carrying amount of cash in bank deposits was \$350,225 and \$234,411, respectively, and the corresponding bank balance was \$855,793 and \$512,181, 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>2010</u>	<u>2009</u>
Restricted		
Held by bond trustee:		
U.S. Treasury note	\$ -	\$ 920,000
Unrestricted		
Federal National Mortgage Association	-	1,377,800
U.S. Treasury notes	<u>-</u>	<u>1,067,330</u>
Total Investments	<u>\$ -</u>	<u>\$ 3,365,130</u>

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.

TRIUNFO SANITATION DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and JUNE 2009**

<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%	30%
Banker's Acceptances	180 days	40%	30%
Mutual Funds that Invest in Allowable Securities	N/A	25%	10%

The District's Investment Policy is more restrictive than the California Government Code by prohibiting repurchase and reverse repurchase agreements, stocks, and the use of derivatives, options, futures or buying on margin. In addition, the maximum investment maturity is limited to five years.

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:

<u>Investments at June 30, 2010:</u>	<u>Fair Value Total</u>	<u>Remaining Maturity (In Months)</u>
		<u>12 Month or Less</u>
<u>Investment Type</u>		
Local Agency Investment Fund (LAIF)	\$ 25,867	\$ 25,867
Ventura County Treasury Pool	8,191,372	8,191,372
Total	<u>\$ 8,217,239</u>	<u>\$ 8,217,239</u>

<u>Investments at June 30, 2009:</u>	<u>Fair Value Total</u>	<u>Remaining Maturity (In Months)</u>
		<u>12 Month or Less</u>
<u>Investment Type</u>		
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	<u>\$ 15,410,644</u>	<u>\$ 15,410,644</u>

Credit

Risk

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

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.

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

Investment Type	Total as of June 30, 2010	Minimum Legal Rating	Not Rated	Ratings as of Year End AAA	Exempt From Disclosure
Local Agency Investment Fund (LAIF)	\$ 25,867	N/A	\$ 25,867	-	-
Ventura County Treasury Pool	8,191,372	N/A	8,191,372	-	-
Total	<u>\$ 8,217,239</u>		<u>\$ 8,217,239</u>	<u>\$ -</u>	<u>\$ -</u>

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	<u>\$ 15,410,644</u>		<u>\$ 12,045,514</u>	<u>\$ 1,377,800</u>	<u>\$ 1,987,330</u>

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:

Issuer	Investment Type	Reported Amount	
		2010	2009
Federal National Mortgage Association	Federal agency securities	\$ -	\$ 1,377,800

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

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 2009

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. 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. Additional information about the Ventura County investment pool can be obtained from the County of Ventura, California – Treasurer-Tax Collector, 800 South Victoria Avenue, California 93009.

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 \$23.3 billion. LAIF is a part of the California Pooled Money Investment Account (PMIA), which at June 30, 2010 and 2009 had a balance of \$69.4 billion and \$50.7 billion, respectively. Of that amount 5.42% and 14.71%, respectively, is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 203 days and 235 as of June 30, 2010 and 2009.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

2. Restricted Assets

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents restricted for:		
Customer deposits	\$ 1,300	\$ 163,632
North Shore maintenance and replacement reserve	-	92,223
Debt service reserves	-	676
Unearned revenue	<u>666,373</u>	<u>666,373</u>
Total restricted cash and cash equivalents	<u>667,673</u>	<u>922,904</u>
Investments restricted for:		
Debt service reserves	-	920,000
Total restricted investments	<u>-</u>	<u>920,000</u>
Total restricted assets	<u>\$ 667,673</u>	<u>\$ 1,842,904</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 \$7,200 and \$6,100 at June 30, 2010 and 2009, 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 were \$0 at both June 30, 2010 and June 30, 2009, respectively. Summary of accounts receivable as reported in the accompanying statement of net assets are shown as follows:

June 30, 2010			
<u>Accounts receivable - Trade</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Water sales and services	\$ 717,625	\$ (7,200)	\$ 710,425
Sanitation fees	320,152	-	320,152
Other receivables	<u>38,261</u>	<u>-</u>	<u>38,261</u>
Total accounts receivable	<u>\$ 1,076,038</u>	<u>\$ (7,200)</u>	<u>\$ 1,068,838</u>
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>

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 2009

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 two 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, 2010 and 2009 are \$0 and \$8,400, respectively.

5. Capital Assets

Changes to capital assets during year ended June 30, 2010 and 2009, were as follows:

Changes in capital assets for 2010 were as follows:	<u>Balance July 1, 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2010</u>
Non-depreciable assets:				
Land	\$ 71,370	\$ -	\$ -	\$ 71,370
Construction -in-progress	1,940,320	291,878	(94,080)	2,138,118
Total non-depreciable assets	2,011,690	291,878	(94,080)	2,209,488
Depreciable assets:				
Structures and improvements	720,834	-	-	720,834
Wastewater collections systems	16,439,883	95,992	-	16,535,875
Recycled water systems	3,913,923	-	-	3,913,923
Potable water systems	13,776,134	-	(1,912)	13,774,222
Other physical property	259,458	188,655	-	448,113
Total depreciable assets	35,110,232	284,647	(1,912)	35,392,967
Accumulated depreciation and amortization:				
Structures and improvements	(81,529)	(18,583)	-	(100,112)
Wastewater collections systems	(6,767,737)	(329,463)	-	(7,097,200)
Recycled water systems	(1,158,624)	(95,809)	-	(1,254,433)
Potable water systems	(6,038,830)	(430,228)	-	(6,469,058)
Other physical property	(49,014)	(5,263)	-	(54,277)
Total accum depr. and amort.	(14,095,734)	(879,346)	-	(14,975,080)
Total depreciable assets, net	21,014,498	(594,699)	(1,912)	20,417,887
Total capital assets, net	\$ 23,026,188	\$ (302,821)	\$ (95,992)	\$ 22,627,375

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

Changes in capital assets for 2009 were as follows:

	Balance July 1, 2008	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2009
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>

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:

Construction Projects	2010	2009
Developer tracts in progress	\$ 374,543	\$ 374,543
Conifer Tank	1,753,857	1,497,582
Bell Cyn Lift Stn and Sewer Improvement	1,882	1,882
Lake Sherwood Lift Station	7,836	7,836
SCADA System	-	58,477
Total	<u>\$ 2,138,118</u>	<u>\$ 1,940,320</u>

TRIUNFO SANITATION DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and JUNE 2009**

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, 2010 and June 30, 2009:

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

	2010	2009	Change
Assets:			
Current assets	\$ 7,393	\$ 6,107	\$ 1,286
Capital assets, net	108,493	111,699	(3,206)
Total assets	115,886	117,806	(1,920)
Liabilities:			
Current liabilities	1,124	735	389
Non-current liabilities	6,269	5,372	897
Total liabilities	7,393	6,107	1,286
Net assets of participants invested in capital assets:			
Las Virgenes Municipal Water District	72,424	74,637	(2,213)
Triunfo Sanitation District	36,069	37,062	(993)
Total net assets	108,493	111,699	(3,206)
Total liabilities and net assets	\$ 115,886	\$ 117,806	\$ (1,920)

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

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

	2010	2009	Change
Revenues:			
Operating revenues	\$ 1,881	\$ 1,428	\$ 453
Non-operating revenues	28	82	(54)
Total revenues	1,909	1,510	399
Expenses:			
Operating expenses	14,727	15,036	(309)
Depreciation and amortization	6,114	5,854	260
Total expenses	20,841	20,890	(49)
Net loss before participant contributions	(18,932)	(19,380)	448
Billings to participants	12,818	13,526	(708)
Excess after billings to participants	(6,114)	(5,854)	(260)
Participants capital contributions	2,908	5,133	(2,225)
Change in Net Assets	(3,206)	(721)	(2,485)
Beginning Net Assets	111,699	112,420	(721)
Ending Net Assets	\$ 108,493	\$ 111,699	\$ (3,206)

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	2010	2009
Operating reserve advance	\$ 1,061,709	\$ 969,410
Construction advance	618,414	202,369
Replacement reserve advance	1,415,014	415,858
Total joint venture advances	\$ 3,095,137	\$ 1,587,637

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 2009

7. Deferred Charges

Net deferred charges for issuance and other costs associated with long term debt were \$54,808 and \$270,641 at June 30, 2010 and 2009, 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 Paris. Interest 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. The bond was paid off in July 2009.

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, 2010, 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 \$779,954. The balance outstanding as of June 30, 2010, is \$1,780,000.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

The following table summarizes the District's debt at June 30, 2010.

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at June 30, 2010</u>	<u>Amounts Due in One Year</u>
Bonds and Loans Payable:					
1994 Refunding Revenue Bonds	\$ 5,200,000	\$ -	\$ (5,200,000)	\$ -	\$ -
2003 Refunding loan	<u>2,475,000</u>	<u>-</u>	<u>(695,000)</u>	<u>1,780,000</u>	<u>(710,000)</u>
Total long-term debt	7,675,000	\$ <u>-</u>	\$ <u>(5,895,000)</u>	1,780,000	\$ <u>(710,000)</u>
Less current portion	<u>(1,095,000)</u>			<u>(710,000)</u>	
Total long-term portion	\$ <u>6,580,000</u>			\$ <u>1,070,000</u>	

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>7,675,000</u>			\$ <u>6,580,000</u>	

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

	<u>2003 Refunding loan</u>	
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 710,000	\$ 69,954
2012	700,000	42,051
2013	<u>370,000</u>	<u>14,541</u>
Total	1,780,000	126,546
Less current portion	<u>(710,000)</u>	<u>(69,954)</u>
Total non-current	\$ <u>1,070,000</u>	\$ <u>56,592</u>

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, 2010 and JUNE 2009**

The following summarizes the District's Developer Refund Agreement obligations at June 30, 2010:

<u>Developer/Tract</u>	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at June 30, 2010</u>	<u>Amounts Due in One Year</u>
CalProp/4315	\$ 86,112	\$ -	\$ (3,744)	\$ 82,368	\$ (3,744)
Grupe/3984	81,348	-	(4,930)	76,418	(4,930)
Morrison/4071	284,068	-	(11,835)	272,233	(11,835)
Warmington/4474	182,104	-	(6,745)	175,359	(6,745)
Total developer refunds	633,632	\$ -	\$ (27,254)	606,378	\$ (27,254)
Less current portion	(27,254)			(27,254)	
Total long-term portion	\$ 606,378			\$ 579,124	

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

<u>Fiscal Year</u>	<u>Principal</u>
2011	27,254
2012	27,254
2013	27,254
2014	27,254
2015	27,254
2016-2020	136,270
2021-2025	136,270
2026-2030	136,270
2031-2033	61,298
Total	606,378
Less current portion	(27,254)
Total non-current	\$ 579,124

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

9. Net Assets

The following is the detail of net assets:

The balance at June 30, consists of the following:	<u>2010</u>	<u>2009</u>
Capital assets, net	\$ 22,627,375	\$ 23,026,188
Unspent bond proceeds - reserve account	-	920,000
Loan payable-current portion	(710,000)	(695,000)
Bonds payable-current portion	-	(400,000)
Developer refunds payable-current portion	(27,254)	(27,254)
Non-current liabilities:		
Bonds payable	-	(4,800,000)
Loans payable	(1,070,000)	(1,780,000)
Developer refund agreements	(579,124)	(606,378)
Total invested in capital assets, net of related debt	<u>\$ 20,240,997</u>	<u>\$ 15,637,556</u>
Restricted for debt service:		
The balance at June 30, consists of the following:	<u>2010</u>	<u>2009</u>
Current assets, restricted	\$ 667,673	\$ 922,904
Customer deposits	(1,300)	(163,632)
Unearned revenue	(666,373)	(666,373)
Total restricted - debt service	<u>\$ -</u>	<u>\$ 92,899</u>

10. Management Agreement

The District has an agreement with the Ventura Regional Sanitation District (VRSD) for VRSD to provide staffing, management, operation and maintenance of facilities; to provide staffing for the administration and management of the District; and support services to the District Governing Board, as well as other closely-related services. The original agreement between the two agencies started back in September 1977. Since then, the two agencies have determined it would be to the mutual benefit of both parties to revise and/or amend the contract to reflect changes that have occurred during the past years. Under the agreement, the District has the right to evaluate the performance of VRSD's services under the agreement. The current amended contract expires on March 16, 2014. Both the District and VRSD may terminate this agreement for its convenience and without cause by giving the party ninety (90) days prior written notice. In addition, both parties may also terminate this agreement in the event of a material default if such default remains uncured upon the expiration of twenty (20) days after receipt of written notice.

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

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 2009

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

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, 2010, 2009 and 2008. 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, 2010 and 2009.

2. Commitments and Contingencies

At June 30, 2010, 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.

TRIUNFO SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 and JUNE 30, 2009

3. Subsequent events

Since 1963 when the Triunfo Sanitation District was organized, the five-member Board of Directors (Directors) was comprised of two directly elected members-at-large, one member of the Thousand Oaks City Council, one member of the Ventura Regional Sanitation District and one member of the Ventura County Board of Supervisors. Starting December 3, 2010, the five-member Board will all be elected members-at-large.

The District is in the process of demolishing the existing Conifer Tank and erecting the Oak Canyon Reservoir. Oak Park Water Service (OPWS) operates and maintains a potable water storage tank and distribution system for the community of Oak Park. The existing water tank is sited on an old landslide and lacks a foundation suitable for seismic upgrade and therefore needs to be replaced with a larger reservoir. The existing water tank is to be decommissioned and removed along with the water metering station. The existing water meter station would be replaced with a single new facility. Additionally, another existing non-usable water tank in the area will be decommissioned and removed and all connecting water pipelines and facilities will be abandoned. This project involves design, environmental reporting and mitigation, construction, and project management.

In November 2010, the Board unanimously approved a \$0.10 per 100 cubic feet (HCF) as a pass through potable water fee increase to cover the Calleguas Municipal Water District's wholesale supply rate increase. The potable water rate increase is effective January 1, 2011.