

TOMALES VILLAGE
COMMUNITY SERVICE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tomales Village Community Services District
Tomales, California

We have audited the accompanying financial statements of the government activities, the business-type activities of the Tomales Village Community Services District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tomales Village Community Services District's management. Our responsibility is to express opinions on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and the business-type activities of Tomales Village Community Service District as of June 30, 2008 and the respective changes in its financial position and, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 – 3 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have provided 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.

Susan E. Goranson, CPA

March 3, 2009
Santa Rosa, California

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

This section of the District's Financial Statement presents our analysis of the District's financial performance for the Fiscal Year that ended June 30, 2008. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

The District's Operation – an Overview

The TVCSD is a special district formed under Government Code §61000 to operate and manage the community's wastewater treatment plant (WWTP) and the Community Park. The District is also a nonprofit corporation authorized in the state of California. The major activities of the District include the collection, treatment, and disposal of domestic wastewater for the community of Tomales and to operate and manage the Tomales Community Park. The operation and maintenance of the WWTP is funded through service fees, while the capital improvements are funded through grants and low interest loans through the State Water Resources Control Board. Loans are repaid through an ad-valorem tax voted on by the community. The operation and maintenance of the Tomales Community Park is funded entirely through donations, fund raisers and grants. The District is a post Prop 13 special district and as such gets no tax money from the county or state. Capital improvements at the Park are paid for by state, federal and private grants and material and in-kind donations.

When the District was formed in 1999, the Wastewater Treatment Plant was acquired from North Marin Water District in an "as-is condition" with several problem areas due to lack of maintenance. The District embarked on an aggressive improvement project in order to bring the safety of the system up to professional standards and to improve the overall treatment process and the safety of the community and the environment. The District was able to garner a Small Communities Grant from the SWRCB and a low interest loan through the State Revolving Fund. To date the first phase of the improvements is complete and approximately 25% of the second phase is complete. Phase one of the project involved the replacement of some worn and aged pipelines, the rehabilitation of the town's lift station, repairs to the collection system and a fully automated alarm and control system. The second phase, when complete, will take the treatment process to new levels of clarity and performance. This phase involves removing built up sludge in the treatment pond, developing a three stage ponding system and replacing the aerators and pumps. The three stage ponding system is a proven way of improving the performance of aerated lagoons for the treatment of wastewater.

The Community Park that the District inherited when the District was formed was also in disrepair. The Park was built in 1982 and had served the community well for a number of years. However, after a state mandated inspection of the play equipment, it was determined that all of the equipment had to be replaced. The District investigated and acquired county, state and federal grants, private grants from individuals and foundations, material donations

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

and in-kind donations of labor. The Park Renovation Project involved extensive grading and terracing in order to meet the strict accessibility regulations and large containment areas for play equipment and play structures for safety reasons. The Park project is about 50% complete.

Basic Financial Statements

In accordance with the Government Accounting Standards Board (GASB) Statement No. 34, the District's basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The statement of net assets includes the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The difference between the assets and liabilities is shown as net assets. This statement also provides the basis of evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net assets accounts for the current year's revenues and expenses. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The final required statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operations and investments during the reporting period.

The notes to the basic financial statements provide a description of the accounting policies used to prepare the financial statements and present disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

- Current Assets increased over the last five years by \$65,000 in cash and cash equivalents.
- Fixed Assets increased by \$439,000 over the same period reflecting the WWTP Improvement Project and the Community Park Renovation Project.
- Change in Total Assets over the last five years amounts to \$504,000.
- Total Liabilities increased by \$51,000 reflecting the low interest SRF loan for the Pond Improvement Project.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

- The District's Net Assets increased \$465,000 or 29.7%, which is reflected in increased Reserve accounts for debt service, capital projects, and rainy day fund.

Future Projections

The District expects to finish the WWTP Improvement Project and the Community Park Renovation Project this fiscal year. This will have a net positive effect on the financial statement in the coming year. Net Assets are projected to increase by \$582,000 and liabilities are anticipated to increase by \$184,000 in long term low interest debt.

The District is also investigating selling zero interest Clean Renewable Energy Bonds for the installation of Photo Voltaic Systems to offset the energy consumption of the District. This is anticipated to require a rate increase of \$3-5/month per Equivalent Unit. Additionally, new regulations and state requirements for funding future asset replacement and increased operating expenses will necessitate rate increases of approximately 4% per year for the next several years.

Contacting the District Administrator

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Administrator, Tomales Village Community Services District, Post Office Box 303, Tomales CA 94971.

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
BALANCE SHEET AND STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	General Fund	Enterprise Fund	Total	Adjustments (Note)	Statement of Net Assets
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 28,091	\$ 190,814	\$ 218,905		218,905
Accounts receivable	-	32,568	32,568		32,568
Contract retention	-	11,361	11,361		11,361
Notes receivable, current portion	-	910	910		910
Total current assets	<u>28,091</u>	<u>235,653</u>	<u>263,744</u>		<u>263,744</u>
Property, Plant and Equipment:					
Maps and records		17,248	17,248		17,248
Land and land rights		184,788	184,788		184,788
Sewer equipment		337,759	337,759		337,759
Treatment facilities		451,578	451,578		451,578
Pond improvement project		451,834	451,834		451,834
Park development	<u>161,381</u>	<u>-</u>	<u>161,381</u>		<u>161,381</u>
Subtotal	161,381	1,443,207	1,604,588		1,604,588
Less accumulated depreciation	<u>-</u>	<u>(131,273)</u>	<u>(131,273)</u>		<u>(131,273)</u>
Net book value	<u>161,381</u>	<u>1,311,934</u>	<u>1,473,315</u>		<u>1,473,315</u>
Noncurrent assets:					
Note receivable, net	<u>-</u>	<u>27,861</u>	<u>27,861</u>		<u>27,861</u>
Total assets	<u>\$ 189,472</u>	<u>\$ 1,575,448</u>	<u>\$ 1,764,920</u>		<u>\$ 1,764,920</u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
BALANCE SHEET AND STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	General Fund	Enterprise Fund	Total	Adjustments (Note 2)	Statement of Net Assets
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 11,244	\$ 11,244	\$ 11,244	\$	11,244
Retentions payable	60,962	60,962	60,962		60,962
Current portion of long-term debt	24,885	24,885	24,885		24,885
Total current liabilities	97,091	97,091	97,091		97,091
Long-term debt, net	91,124	91,124	91,124		91,124
Total liabilities	188,215	188,215	188,215		188,215
FUND BALANCES/NET ASSETS:					
Fund balances:					
Investment in fixed assets	\$ 161,381	458,342	619,723	\$ (619,723)	-
Park reserve	22,950		22,950	(22,950)	-
Sinking fund		126,920	126,920	(126,920)	-
Capital reserve fund		19,470	19,470	(19,470)	-
Operating reserve - unrestricted		33,017	33,017	(33,017)	-
Operating reserve - restricted		29,582	29,582	(29,582)	-
Unrestricted	5,141	719,902	725,043	(725,043)	-
Total fund balances	189,472	1,387,233	1,576,705	(1,576,705)	-
Total liabilities & fund balances	\$ 189,472	\$ 1,575,448	\$ 1,764,920	(1,576,705)	
Net assets:					
Invested in capital assets				619,723	619,723
Restricted for debt service				126,920	126,920
Restricted for reserves				105,019	105,019
Unrestricted				725,043	725,043
Total net assets				1,576,705	1,576,705

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Enterprise Fund	Total	Adjustments (Note)	Statement of Net Assets
OPERATING REVENUES:					
Service-type assessments		\$ 172,760	\$ 172,760		\$ 172,760
Fees		36	36		36
Travel and meeting reimbursement		<u>10,789</u>	<u>10,789</u>		<u>10,789</u>
Total operating revenues		<u>183,585</u>	<u>183,585</u>		<u>183,585</u>
OPERATING EXPENSES:					
Sewage collection		285	285		285
Sewage treatment		5,423	5,423		5,423
Sewage disposal		1,928	1,928		1,928
Administration and general	\$ 358	143,577	143,935		143,935
Depreciation and amortization	-	26,912	26,912		26,912
Other operating expenses	<u>234</u>	<u>121</u>	<u>355</u>		<u>355</u>
Total operating expenses	<u>592</u>	<u>178,246</u>	<u>178,838</u>		<u>178,838</u>
INCOME FROM OPERATIONS	<u>(592)</u>	<u>5,339</u>	<u>4,747</u>		<u>4,747</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue	8	11,604	11,612		11,612
Taxes and assessments	45	22,150	22,195		22,195
SUSD capital improvement component	-	36,532	36,532		36,532
Interest expense	-	(5,352)	(5,352)		(5,352)
Contributions	1,185	-	1,185		1,185
Grants	<u>113,235</u>	<u>-</u>	<u>113,235</u>		<u>113,235</u>
Total non-operating revenues	<u>114,473</u>	<u>64,934</u>	<u>179,407</u>		<u>179,407</u>
EXCESS OF REVENUES OVER EXPENSES	<u>113,881</u>	<u>70,273</u>	<u>184,154</u>		<u>184,154</u>
FUND BALANCES/NET ASSETS, BEGINNING	<u>75,591</u>	<u>1,316,960</u>	<u>1,392,551</u>		<u>1,392,551</u>
FUND BALANCES/NET ASSETS, END	<u>\$ 189,472</u>	<u>\$ 1,387,233</u>	<u>\$ 1,576,705</u>		<u>\$ 1,576,705</u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from services	\$ 155,895
Cash payments to vendors	<u>(109,186)</u>
Net cash provided by operating activities	<u>46,709</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from taxes and assessments	22,195
Proceeds from note receivable	<u>863</u>
Total cash flows from noncapital financing activities	<u>23,058</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(314,489)
Interest paid	(5,352)
Repayments of long-term debt	(19,542)
Proceeds from grants and contributions	<u>150,952</u>
Total cash flows from capital and related financing activities	<u>(188,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from earnings on investments	<u>11,612</u>
TOTAL INCREASE IN CASH AND CAH EQUIVALENTS	(107,052)
CASH, BEGINNING	<u>325,957</u>
CASH, ENDING	<u><u>\$ 218,905</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income from operations	\$ 4,747
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation and amortization	26,912
Changes in assets and liabilities:	
Accounts receivable	(32,452)
Contracts retention	(11,361)
Accounts payable	(2,099)
Retentions payable	<u>60,962</u>
Net cash provided by operating activities	<u><u>\$ 46,709</u></u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tomales Village Community Service District (District) is a nonprofit corporation authorized in the state of California. It operates as a special; district governed by state laws. It was established for the purpose of local control of the Tomales Wastewater System and Tomales Park. The District's services encompass the collection, treatment, and/or disposal of sewage and waste of the District and its inhabitants and public recreation pursuant to California Government Code section 61000. The District has a population of approximately 200 residents, covers an area of 174 acres, and is governed by a five-member board of directors.

In 1998, Tomales registered voters petitioned the Marin County Local Area Formation Commission proposing detachment of the Tomales Sewer Improvement District from the North Marin Water District and formation of the Tomales Village Community Service District in order to localize decision-making. In October of 1999, the Tomales Village Community Service District and the North Marin Water District entered into a mutually agreeable Memorandum of Understanding which provided for the transfer of all the assets and liabilities of the Tomales Sewer Improvement District from the North Marin Water District to the Tomales Village Community Service District.

Basis of Accounting and Measurement Focus

The District accounts for its operations in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes 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 the District's principal operations. The principal operating revenues of the District are services assessments to customers for sewer services. Operating expenses for the District include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

Classification of Revenue - Sources of revenue include service charges, grants, tax assessments, and other revenues as discussed below:

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting and Measurement Focus, continued

Sewer charges - Sewer service charges are levied and collected as a component of the Marin County property tax bill. These assessments are applied uniformly to all taxpayers or all real property within the district on a per equivalent unit basis (defined as the sewage flow generated by a typical single family home). This revenue is accounted for in the enterprise fund and is used for the purpose of carrying on the operations and paying the obligations of the District.

Connection fees – Sewage facilities connection charges are collected from owners of land newly served, prior to the commencement of sewage service and are based on a per equivalent unit basis. This revenue is accounted for in the enterprise fund. All revenues derived from these fees is used only for the contraction, reconstruction, operation and maintenance of the sewage facilities serving said lots or for other purposes authorized by section 5474.9 of the Health and Safety Code, but shall not be used for acquisition or construction of new local street sewer or laterals.

Taxes and assessments – In June of 1975, voters authorized an \$189,200 loan from the State Water Quality Control Board to cover the local share of a Clean Water Grant project (this liability was transferred to the District in October 1999). Voters authorized a tax of up to \$0.75 per \$100 assessed valuation for the payments that will fully amortize the loan in year 2011. These ad valorem property tax revenues are levied and collected as components of the Marin County property tax bill and are accounted for in the enterprise fund.

Grant revenue – Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue may be subject to review by the funding agency and may result in disallowance in subsequent periods.

Other revenue – Other revenue sources include primarily interest, contributions from local governments, businesses and individuals, and miscellaneous refunds. Interest income is recorded as earned since it is measurable and available. Contributions are accounted for in the governmental and enterprise funds as Other Non-Operating Revenue.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting and Measurement Focus, continued

Cash and Cash Equivalents - For purposes on the statement cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Assets are recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over estimated useful lives ranging from five to ten years for equipment, forty to sixty years for collection facilities and the treatment plant. To fifty-five years for the buildings and storage facilities.

Use of Estimates – The financial statements are prepared in conformity with generally accepted accounting principles, and, accordingly, include amounts that are based on management's best estimate.

NOTE 2 CASH, CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSIT

The District maintains its cash balances in three financial institutions. Funds are kept in regular checking accounts, money market checking accounts, or certificates of deposit.

Accounts are secured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008, the District exceeded the maximum by \$15,342.

Cash received from the Levy 4 assessment and from the sinking fund portion of the Shoreline Unified School District payment is restricted to debt payment to the State Water Resources Control Board.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 3 NOTES AND ACCOUNTS RECEIVABLE

The balance of a note due from the Shoreline Unified School District (SUSD) in the amount of \$34,984 was transferred to the TVCSD in October 1999 as described in the general statement above. The original note in the amount of \$39,736 was contracted by North Marin Water District in June of 1985 at an annual interest rate of six percent, due November 2026. The note was for SUSD's portion of sewer improvements completed prior to the transfer to TVCSD and is unsecured. Accordingly, this note is accounted for in the enterprise fund. Scheduled maturities of principal and interest for the note receivable are as follows at June 30:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 910	\$ 1,726
2010	970	1,671
2011	1,028	1,613
2012	1,089	1,552
2013	1,155	1,486
Thereafter	23,619	11,133

NOTE 4 PROPERTY TAXES

The District's monthly sewer service rate and applicable property taxes are levied annually as components of the Marin County property tax bill. Property taxes attach as an enforceable lien on property as of January 1 preceding the fiscal year for which property taxes are collected. Taxes are payable to the county in two installments on November 1 and February 1. The County of Marin collects these taxes and remits them to the District. Property taxes are recognized as revenue in the period for which levied, which is the fiscal year during which the payments are due, provided the taxes are received within sixty days after year-end. There was no balance of delinquent taxes due TVCSD for the year ended June 30, 2008.

The District is permitted by the Government Code of the state to levy taxes up to \$0.75 per \$100 of assessed valuation for payment of principal and interest on long-term debt. The tax rate to finance the payment of long-term debt for the year ended June 30, 2008 was \$0.02 per \$100 of assessed valuation. The tax rate to finance general sewer services and operations, other than payment of long-term debt for the year ended June 30, 2008, was \$58 per equivalent unit.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 CAPITAL ASSETS

A summary of capital assets at June 30, 2008 is as follows:

	Beginning	Additions	Ending
Capital assets, not being depreciated:			
Maps and records	\$ 17,248		\$ 17,248
Land and land rights	184,788		184,788
Construction in progress – Park project	<u>24,667</u>	<u>\$ 201,242</u>	<u>225,909</u>
Subtotal	<u>226,703</u>	<u>201,242</u>	<u>427,945</u>
Capital assets, being depreciated			
Sewer equipment	337,759		337,759
Treatment facilities	451,578		451,578
Pond improvement project	<u>276,238</u>	<u>111,068</u>	<u>387,306</u>
Subtotal	<u>1,065,575</u>	<u>111,068</u>	<u>1,176,643</u>
Total capital assets	1,292,278	312,310	1,604,588
Less accumulated depreciation	<u>(104,361)</u>	<u>(26,912)</u>	<u>(131,273)</u>
Net book value capital assets	\$ <u>1,187,917</u>	\$ <u>285,398</u>	\$ <u>1,473,315</u>

NOTE 6 LONG-TERM DEBT

A construction loan with a balance of \$173,329 was transferred from the North Marin Water District to TVCSD in October 1999 as described in the notes above. The original loan in the amount of \$189,200 was contracted by North Marin Water District in May 1976 at an annual interest rate of 5.3 percent, due May 2011, and is secured by the plant. The loan funds were used for the construction of sewer improvements completed prior to the transfer to TVCSD. Accordingly, this loan is accounted for in the enterprise fund.

A construction loan was taken from the State Water Resources Control Board in December 2003. The loan allowed draws to be taken. The loan principal was \$130,594 at its' greatest borrowings. The total of the two loans is \$351,323. The loan is repaid annually in installments of \$10,473.78 including principal and interest at two percent over twenty years. The loan matures in December 2022.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 LONG-TERM DEBT, continued

Annual principal and interest requirements to maturity are as follows as June 30:

	Principal	Interest
2009	\$ 24,885	\$ 5,859
2010	25,581	4,833
2011	26,788	3,622
2012	7,983	2,491
2013	8,182	2,292
Thereafter	22,590	10,661