

TOMALES VILLAGE
COMMUNITY SERVICE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2009



TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS:	
Balance Sheet and Statement of Net Assets	5
Statement of Activities and Changes in Net Assets	7
Balance Sheet – Governmental Fund	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	9
Statement of Net assets – Enterprise Fund	10
Statement of Activities and Changes in Net Assets – Enterprise Fund	11
Statement of Cash Flows – Enterprise Fund	12
NOTES TO FINANCIAL STATEMENTS	13



SUSAN E. GORANSON, C.P.A.

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, 2009, 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, 2009 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

November 2, 2009
Santa Rosa, California

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Management's Discussion and Analysis

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, 2009. 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 1998, 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 85% 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, 2009

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 80% complete.

Another Capital project the District has begun is a Solar System to provide the energy needs to operate the wastewater treatment system and the irrigation field. The District has been approved to sell zero interest Clean Renewable Energy Bonds to finance this project that has a repayment period of 16 years and will return on the investment in year 18. After that the system will provide a savings of \$50,000 - \$100,000 in energy costs over the next 10 years. The bonds have been sold and the first payment will be in the 2009 – 2010 Fiscal Year.

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 year by \$56,000 in cash and cash equivalents.
- Fixed Assets increased by \$549,000 over the same period reflecting the WWTP Improvement Project and the Community Park Renovation Project.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

- Change in Total Assets over the last year amounts to \$605,000.
- Total Liabilities increased by a net of \$156,000 reflecting the low interest SRF loan for the Pond Improvement Project and the early repayment of the SWRCB Construction Loan.
- The District's Net Assets increased \$449,000.

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 \$60,000 and liabilities are anticipated to stay about the same in long term low interest debt.

The District is also investigating the feasibility of treating the community's wastewater to tertiary standards for recycling and reuse. That study will be completed this year and will determine what additional operating costs will be needed and if the end users are willing to cover those additional costs. 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, however, it has not been budgeted or approved for the 2009 – 2010 fiscal year.

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, PO Box 303, Tomales CA 94971.

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
BALANCE SHEET AND STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 4,278	\$ 301,807	\$ 306,085
Contract retention account	-	15,722	15,722
Accounts receivable	-	1,547	1,547
Notes receivable, current portion	-	969	969
Total current assets	4,278	320,045	324,323
Property, Plant and Equipment:			
Maps and records		17,248	17,248
Land and land rights		184,788	184,788
Sewer equipment		340,088	340,088
Treatment facilities		451,578	451,578
Pond improvement project		908,685	908,685
Park development	269,284	-	269,284
Solar project	-	4,832	4,832
Subtotal	269,284	1,907,219	2,176,503
Less accumulated depreciation	(3,630)	(194,755)	(198,385)
Net book value	265,654	1,712,464	1,978,118
Noncurrent assets:			
Note receivable, net	-	26,892	26,892
Total assets	\$ 269,932	\$ 2,059,401	\$ 2,329,333

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, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 21,047		\$ 21,047
Retentions payable	60,934		60,934
Current portion of long-term debt	7,988		7,988
Total current liabilities	89,969		89,969
Long-term debt, net		255,905	255,905
Total liabilities		345,874	345,874
NET ASSETS:			
Investment in capital assets	\$ 265,654	905,559	1,171,213
Restricted for debt service	-	71,135	71,135
Restricted for reserves	-	82,070	82,070
Unrestricted	4,278	654,763	659,041
Total net assets	269,932	1,713,527	1,983,459
Total liabilities & fund balances	\$ 269,932	\$ 2,059,401	\$ 2,329,333

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
OPERATING REVENUES:			
Service-type assessments	\$ -	\$ 163,510	\$ 163,510
Fees	1,275	-	1,275
Travel and meeting reimbursement	-	-	-
Total operating revenues	<u>1,275</u>	<u>163,510</u>	<u>164,785</u>
OPERATING EXPENSES:			
Sewage collection	-	274	274
Sewage treatment	-	3,715	3,715
Sewage disposal	-	1,746	1,746
Administration and general	1,947	155,504	157,451
Depreciation and amortization	-	67,112	67,112
Other operating expenses	38	164	202
Total operating expenses	<u>1,985</u>	<u>228,515</u>	<u>230,500</u>
REVENUE (LOSS) FROM OPERATIONS	<u>(710)</u>	<u>(65,005)</u>	<u>(65,715)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	8	4,617	4,625
Taxes and assessments	-	15,308	15,308
SUSD capital improvement component	-	7,140	7,140
SUSD sinking fund revenue	-	2,820	2,820
Interest expense	-	(5,489)	(5,489)
Other non-operating expense	(1,614)	(101)	(1,715)
Contributions	2,542	-	2,542
Grants	65,123	382,115	447,238
Transfers (to) / from governmental funds	15,111	(15,111)	-
Total non-operating revenues	<u>81,170</u>	<u>391,299</u>	<u>472,469</u>
CHANGES IN NET ASSETS	80,460	326,294	406,754
NET ASSETS, BEGINNING	<u>189,472</u>	<u>1,387,233</u>	<u>1,576,705</u>
NET ASSETS, ENDING	<u>\$ 269,932</u>	<u>\$ 1,713,527</u>	<u>\$ 1,983,459</u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
AS OF JUNE 30, 2009

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ <u>4,278</u>
Total assets	\$ <u>4,278</u>
LIABILITIES AND FUND BALANCES:	
Liabilities	\$ <u>-</u>
Fund balances:	
Unrestricted	<u>4,278</u>
Total liabilities & fund balances	\$ <u>4,278</u>

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets**

Total fund balances - governmental funds	\$ 4,278
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Capital assets, net:	<u>265,654</u>
Net assets of governmental activities	<u>\$ 269,932</u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>
REVENUES:	
Fees	\$ 1,275
Contributions	2,542
Grants	65,123
Interest	<u>8</u>
Total revenues	<u>68,948</u>
EXPENDITURES	
Administration and general	1,947
Miscellaneous	<u>1,652</u>
Total expenditures	<u>3,599</u>
Excess revenues over expenditures	<u>65,349</u>
OTHER FINANCING SOURCES	
Transfers in	<u>15,111</u>
Total other financing sources	<u>15,111</u>
NET CHANGE IN FUND BALANCE	80,460
FUND BALANCE, BEGINNING	<u>189,472</u>
FUND BALANCE, ENDING	<u>\$ 269,932</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances to the Statement of Activities**

Net change in fund balance - total governmental funds	<u>\$ 80,460</u>
Change in net assets of governmental activities	<u>\$ 80,460</u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF NET ASSETS
ENTERPRISE FUND
AS OF JUNE 30, 2009

	<u>Business-Type Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 301,807
Contract retention account	15,722
Accounts receivable	1,547
Notes receivable, current portion	<u>969</u>
Total current assets	<u>320,045</u>
Property, Plant and Equipment:	
Maps and records	17,248
Land and land rights	184,788
Sewer equipment	340,088
Treatment facilities	451,578
Pond improvement project	908,685
Solar project	<u>4,832</u>
Subtotal	1,907,219
Less accumulated depreciation	<u>(194,755)</u>
Net book value	<u>1,712,464</u>
Noncurrent assets:	
Note receivable, net	<u>26,892</u>
Total assets	<u>\$ 2,059,401</u>
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 21,047
Retentions payable	60,934
Current portion of long-term debt	<u>7,988</u>
Total current liabilities	89,969
Long-term debt, net	<u>255,905</u>
Total liabilities	<u>345,874</u>
 NET ASSETS:	
Investment in capital assets	905,559
Restricted for debt service	71,135
Restricted for reserves	82,070
Unrestricted	<u>654,763</u>
Total net assets	<u>1,713,527</u>
Total liabilities & fund balances	<u>\$ 2,059,401</u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities</u>
OPERATING REVENUES:	
Service-type assessments	\$ 163,510
Fees	-
Travel and meeting reimbursement	-
Total operating revenues	<u>163,510</u>
OPERATING EXPENSES:	
Sewage collection	274
Sewage treatment	3,715
Sewage disposal	1,746
Administration and general	155,504
Depreciation and amortization	67,112
Other operating expenses	164
Total operating expenses	<u>228,515</u>
REVENUE (LOSS) FROM OPERATIONS	<u>(65,005)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest revenue	4,617
Taxes and assessments	15,308
SUSD capital improvement component	7,140
SUSD sinking fund revenue	2,820
Interest expense	(5,489)
Other non-operating expense	(101)
Grants	382,115
Transfers (to) / from governmental funds	<u>(15,111)</u>
Total non-operating revenues	<u>391,299</u>
CHANGES IN NET ASSETS	326,294
NET ASSETS, BEGINNING	<u>1,387,233</u>
NET ASSETS, ENDING	<u>\$ 1,713,527</u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from services	\$ 162,990
Cash payments to vendors	<u>(163,419)</u>
Net cash used by operating activities	<u>(429)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from taxes and assessments	15,300
Proceeds from note receivable	<u>11,757</u>
Total cash flows from noncapital financing activities	<u>27,057</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(528,540)
Interest paid	(5,489)
Proceeds from capital debt	229,251
Transfer to general fund	(15,111)
Proceeds from grants and contributions	<u>382,115</u>
Total cash flows from capital and related financing activities	<u>62,226</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from earnings on investments	<u>2,820</u>
TOTAL INCREASE IN CASH AND CASH EQUIVALENTS	91,674
CASH, BEGINNING	<u>213,764</u>
CASH, ENDING	<u><u>\$ 305,438</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (65,005)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation and amortization	67,112
Changes in assets and liabilities:	
Accounts receivable	(110)
Contracts retention	(4,361)
Accounts payable	1,907
Retentions payable	<u>28</u>
Net cash provided by operating activities	<u><u>\$ (429)</u></u>

The accompanying notes are an integral part of these financial statements

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Reporting Entity

The Tomales Village Community Service District (The District) 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 and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers the revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, expenditures related to compensated absences, are recorded only then payment is due.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

**Basis of Accounting and Measurement Focus and Financial Statement Presentation
(continued)**

The District reports the following governmental fund:

- The General Fund accounts for financial resources not required to be accounted for in any other fund. This includes accounting for park and recreation activities.

The District accounts for its wastewater system 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:

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.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Basis of Accounting and Measurement Focus, continued

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.

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.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

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.

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.

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>
2010	\$ 969	\$ 1,672
2011	1,028	1,613
2012	1,089	1,552
2013	1,150	1,491
2014	1,224	1,417
Thereafter	22,401	9,855

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 proceeding 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, 2009.

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, 2009 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, 2009, was \$58 per equivalent unit.

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 CAPITAL ASSETS

A summary of capital assets at June 30, 2009 is as follows:

Capital Assets - Business-type activities	<u>Beginning</u>	<u>Additions</u>	<u>Ending</u>
Capital assets, not being depreciated:			
Maps and records	\$ 17,248		\$ 17,248
Land and land rights	184,788		184,788
Construction in progress - Solar project	<u> -</u>	<u>\$ 4,832</u>	<u>4,832</u>
Total capital assets not being depreciated	<u>202,036</u>	<u>4,832</u>	<u>206,868</u>
 Capital assets being depreciated:			
Sewer equipment	337,759	2,329	340,088
Treatment facilities	451,578	-	451,578
Pond improvement project	<u>387,306</u>	<u>521,379</u>	<u>908,685</u>
Total capital assets being depreciated	1,176,643	523,708	1,700,351
 Less accumulated depreciation	<u>(127,643)</u>	<u>(67,112)</u>	<u>(194,755)</u>
Net capital assets being depreciated	<u>1,049,000</u>	<u>456,596</u>	<u>1,505,596</u>
Total net capital assets - Business-type activities	<u>\$ 1,251,036</u>	<u>\$ 461,428</u>	<u>\$ 1,712,464</u>
 Capital Assets - Governmental activities	 Beginning	 Additions	 Ending
Capital assets, not being depreciated:			
Construction in progress - Park development	<u>\$ 222,279</u>	<u>\$ 43,375</u>	<u>\$ 265,654</u>
Total capital assets not being depreciated	<u>222,279</u>	<u>43,375</u>	<u>265,654</u>
 Capital assets being depreciated:			
Park equipment	<u>3,630</u>		<u>3,630</u>
Total capital assets being depreciated	<u>3,630</u>		<u>3,630</u>
 Less accumulated depreciation	<u>(3,630)</u>		<u>(3,630)</u>
Net capital assets being depreciated	<u>-</u>		<u>-</u>
Total net capital assets - Governmental activities	<u>\$ 222,279</u>	<u>\$ 43,375</u>	<u>\$ 265,654</u>

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 LONG-TERM DEBTS

A construction loan from the State Water Resources Control Board in December 2003 was converted to a note payable in December 2008. The loan principal is \$263,893 at June 30, 2009. The loan is repaid annually in installments of \$ 22,572 including principal and interest at 2.5% over thirteen years. The loan matures in December 2022.

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

	Principal	Interest
2010	\$ 16,175	\$ 6,398
2011	16,579	5,993
2012	16,994	5,579
2013	17,419	5,154
2014	17,854	4,718
Thereafter	170,885	17,681