

TOMALES VILLAGE
COMMUNITY SERVICE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2010

*Preliminary Draft 12/2/2010
For discussion purposes only*

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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, 2010, 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes 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 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, 2010 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated XXXXXXXX, 2010, on our consideration of Tomales Village Community Services 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 the 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 – 4 and 21-22 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.

XXXXXXXXXXXX, 2010
Santa Rosa, California

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010. 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. The Pond Project consisted of two phases, both of which were completed at the end of the fiscal year. 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, took the treatment process to new levels of clarity and performance. This phase involved 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

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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 85% complete and expected to be fully completed in the next few months.

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 sold zero interest Clean Renewable Energy Bonds (CREBs) 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. This report reflects the first draws from those bonds and the first annual repayment.

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 \$38,000 in cash and cash equivalents.
- Fixed Assets increased by \$156,142 over the same period reflecting the WWTP Improvement Project and the Community Park Renovation Project.

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MANAGEMENT DISCUSSION AND ANALYSIS
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- Change in Total Assets over the last year amounts to \$194,283.
- Total Liabilities increased by a net of \$108,756 reflecting the low interest SRF loan for the Pond Improvement Project and the CREBs bond issuance for the Solar Project.
- The District's Net Assets increased \$110,214.

Future Projections

The District expects to finish the Community Park Renovation Project and the Solar Project in fiscal year 2010 – 2011. This will have a slight negative effect on the financial statement in the coming year. Net Assets are projected to increase by \$106,000 and liabilities are anticipated to increase by \$111,000 in long-term debt. However, the cost of operations will be offset by the California Solar Initiative Rebate Program and reduced PG&E costs.

The District investigated the feasibility of treating the community's wastewater to tertiary standards for recycling and reuse. The study was completed this year and it was determined that a tertiary system would only be feasible if grant money was available for the capital expense and if the users were willing to pay the increased operating costs. That is not currently the situation and no further effort is being made for tertiary treatment for re-use. Additionally, new regulations and state requirements for funding future asset replacement and increased operating expenses will necessitate rate increases of approximately 45% per year for the next several years; however, it has not been budgeted or approved for the 2010 – 2011 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, Post Office Box 303, Tomales CA 94971.

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
BALANCE SHEET AND STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,202	\$ 293,102	\$ 297,304
Restricted cash	-	125,946	125,946
Accounts receivable	-	49,205	49,205
Notes receivable, current portion	-	1,027	1,027
Total current assets	4,202	469,280	473,482
Property, plant and equipment, net	279,894	1,862,067	2,141,961
Noncurrent assets:			
Bond issuance costs, unamortized		14,353	14,353
Note receivable, net		25,865	25,865
Total noncurrent assets		40,218	40,218
Total assets	\$ 284,096	\$ 2,371,565	\$ 2,655,661
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable		\$ 8,254	\$ 8,254
Current portion of long-term debt		35,554	35,554
Total current liabilities		43,808	43,808
Long-term debt, net		518,179	518,179
Total liabilities		561,987	561,987
NET ASSETS:			
Investment in capital assets, net of debt	\$ 279,894	1,308,334	1,588,228
Restricted for debt service	-	76,775	76,775
Restricted for reserves	-	82,070	82,070
Unrestricted	4,202	342,399	346,601
Total net assets	284,096	1,809,578	2,093,674
Total liabilities & fund balances	\$ 284,096	\$ 2,371,565	\$ 2,655,661

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The accompanying notes are an integral part of these financial statements

For discussion purposes only

TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
OPERATING REVENUES:			
Service-type assessments	\$ -	\$ 157,498	\$ 157,498
Fees	125	-	125
Travel and meeting reimbursement	-	-	-
Total operating revenues	<u>125</u>	<u>157,498</u>	<u>157,623</u>
OPERATING EXPENSES:			
Sewage collection	-	401	401
Sewage treatment	-	4,681	4,681
Sewage disposal	-	1,102	1,102
Solar project expense	-	-	-
Administration and general	1,451	177,287	178,738
Depreciation and amortization	-	36,130	36,130
Other operating expenses	-	775	775
Total operating expenses	<u>1,451</u>	<u>220,376</u>	<u>221,827</u>
REVENUE (LOSS) FROM OPERATIONS	<u>(1,326)</u>	<u>(62,878)</u>	<u>(64,204)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	27	3,675	3,702
Taxes and assessments	-	34,197	34,197
SUSD capital improvement component	-	48,461	48,461
SUSD sinking fund revenue	-	2,820	2,820
Interest expense	-	(6,597)	(6,597)
Other non-operating expense	(778)	(113)	(891)
Contributions	5,010	-	5,010
Grants	-	87,717	87,717
Transfers (to) / from governmental funds	<u>11,231</u>	<u>(11,231)</u>	<u>-</u>
Total non-operating revenues	<u>15,490</u>	<u>158,929</u>	<u>174,419</u>
CHANGES IN NET ASSETS	14,164	96,051	110,215
NET ASSETS, BEGINNING	<u>269,932</u>	<u>1,713,527</u>	<u>1,983,459</u>
NET ASSETS, ENDING	<u>\$ 284,096</u>	<u>\$ 1,809,578</u>	<u>\$ 2,093,674</u>

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
AS OF JUNE 30, 2010

	General Fund
ASSETS:	
Cash and cash equivalents	\$ 4,202
Total assets	\$ 4,202
LIABILITIES AND FUND BALANCES:	
Liabilities	\$ -
Fund balances:	
Unrestricted	4,202
Total liabilities & fund balances	\$ 4,202

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

Total fund balances - governmental funds	\$ 4,202
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net:	279,894
Net assets of governmental activities	\$ 284,096

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	General Fund
REVENUES:	
Fees	\$ 125
Contributions	5,010
Interest	27
Total revenues	5,162
EXPENDITURES	
Administration and general	1,451
Event expense	778
Total expenditures	2,229
Excess revenues over expenditures	2,933
OTHER FINANCING	
Transfers in	11,231
Transfers out (capital outlay)	(14,240)
Total other financing	(3,009)
NET CHANGE IN FUND BALANCE	(76)
FUND BALANCE, BEGINNING	4,278
FUND BALANCE, ENDING	\$ 4,202

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

Net change in fund balance	\$ (76)
Funds used to purchase capital equipment	14,240
Change in net assets of governmental activities	\$ 14,164

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF NET ASSETS
ENTERPRISE FUND
AS OF JUNE 30, 2010

	Business-Type Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 293,102
Restricted cash	125,946
Accounts receivable	49,205
Notes receivable, current portion	1,027
Total current assets	469,280
Capital assets, net	1,862,067
Noncurrent assets:	
Bond issuance costs, unamortized	14,353
Note receivable, net	25,865
Total assets	\$ 2,371,565

LIABILITIES AND NET ASSETS

LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 8,254
Current portion of long-term debt	35,554
Total current liabilities	43,808
Long-term debt, net	518,179
Total liabilities	561,987
NET ASSETS:	
Investment in capital assets, net of related debt	1,308,334
Restricted for debt service	76,775
Restricted for reserves	82,070
Unrestricted	342,399
Total net assets	1,809,578
Total liabilities & net assets	\$ 2,371,565

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities
OPERATING REVENUES:	
Service-type assessments	\$ 157,498
Travel and meeting reimbursement	-
Total operating revenues	157,498
OPERATING EXPENSES:	
Sewage collection	401
Sewage treatment	4,681
Sewage disposal	1,102
Administration and general	177,287
Depreciation and amortization	36,130
Other operating expenses	775
Total operating expenses	220,376
REVENUE (LOSS) FROM OPERATIONS	(62,878)
NON-OPERATING REVENUES (EXPENSES):	
Interest revenue	3,675
Taxes and assessments	34,197
SUSD capital improvement component	48,461
SUSD sinking fund revenue	2,820
Interest expense	(6,597)
Other non-operating expense	(113)
Grants	87,717
Transfers (to) / from governmental funds	(11,231)
Total non-operating revenues	158,929
CHANGES IN NET ASSETS	96,051
NET ASSETS, BEGINNING	1,713,527
NET ASSETS, ENDING	\$ 1,809,578

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from services	\$ 173,677
Cash payments to vendors	<u>(257,973)</u>
Net cash used by operating activities	<u>(84,296)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from taxes and assessments	34,197
Proceeds from note receivable	<u>51,281</u>
Total cash flows from noncapital financing activities	<u>85,478</u>
 CASH FLOWS FROM CAPITAL AND RELATED AND FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(200,086)
Interest paid	(6,597)
Proceeds from capital debt	305,090
Principal payments on long-term debt	(15,250)
Restricted cash	(125,946)
Transfer to general fund	(11,231)
Proceeds from grants and contributions	<u>40,458</u>
Total cash flows from capital and related financing activities	<u>(13,562)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from earnings on investments	<u>3,675</u>
TOTAL INCREASE IN CASH AND CASH EQUIVALENTS	(8,705)
CASH, BEGINNING	<u>301,807</u>
CASH, ENDING	<u><u>\$ 293,102</u></u>

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (62,878)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation and amortization	36,130
Changes in assets and liabilities:	
Accounts receivable	457
Contracts retention	15,722
Accounts payable	(12,793)
Retentions payable	<u>(60,934)</u>
Net cash provided by operating activities	<u>\$ (84,296)</u>

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

**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.

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 a \$189,200 loan from the State Water Quality Control Board (this liability was transferred to the District in October 1999). Voters authorized a tax of up to \$0.75 per \$100 assessed valuation for payments of the ongoing operational costs of the District. The current rate collected is \$0.02 per \$100 assessed valuation. 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.

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

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>
2011	1,028	1,613
2012	1,089	1,552
2013	1,150	1,491
2014	1,224	1,417
2015	1,375	1,266
Thereafter	19,729	7,245

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010.

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~~ ongoing operational costs of the district. The tax rate ~~to finance the payment of long-term debt~~ for the year ended June 30, 2010 was \$0.02 per \$100 of assessed valuation. The sewer service rate fees to finance general sewer services and operations, other than payment of long-term debt for the year ended June 30, 2010, was \$63 per equivalent unit.

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 CAPITAL ASSETS

A summary of capital assets at June 30, 2010 is as follows:

Capital Assets - Business-type activities	<u>Beginning</u>	<u>Additions</u>	<u>Retired</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>4,832</u>	<u>\$157,631</u>		<u>162,463</u>
Total capital assets not being depreciated	<u>206,868</u>	<u>157,631</u>		<u>364,499</u>
Capital assets being depreciated:				
Sewer equipment	340,088	-		340,088
Treatment facilities	451,578	-		451,578
Pond improvement project	<u>908,685</u>	<u>27,205</u>		<u>935,890</u>
Total capital assets being depreciated	1,700,351	27,205		1,727,556
Less accumulated depreciation	<u>(194,755)</u>	<u>(35,233)</u>		<u>(229,988)</u>
Net capital assets being depreciated	<u>1,505,596</u>	<u>(8,028)</u>		<u>1,497,568</u>
Total net capital assets-Business-type activities	<u>\$1,712,464</u>	<u>\$149,603</u>		<u>\$1,862,067</u>
Capital Assets - Governmental activities	<u>Beginning</u>	<u>Additions</u>		<u>Ending</u>
Capital assets, not being depreciated:				
Construction in progress - Park development	\$ 265,654	\$ 14,240		\$ 279,894
Total capital assets not being depreciated	<u>265,654</u>	<u>14,240</u>	-	<u>279,894</u>
Capital assets being depreciated:				
Park equipment	<u>3,630</u>		<u>(3,630)</u>	-
Total capital assets being depreciated	<u>3,630</u>			-
Less accumulated depreciation	<u>(3,630)</u>		<u>3,630</u>	-
Net capital assets being depreciated	<u>-</u>			-
Total net capital assets-Governmental activities	<u>\$ 265,654</u>	<u>\$ 14,240</u>	<u>\$ -</u>	<u>\$ 279,894</u>

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TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 6 LONG-TERM DEBT

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, 2010. 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
2011	\$ 18,054	\$ 6,398
2012	18,505	5,993
2013	18,968	5,579
2014	19,442	5,154
2015	19,928	4,718
Thereafter	154,164	15,797

NOTE 7 CLEAN RENEWABLE ENERGY BONDS (CREBs)

On July 14, 2009 TVCSD issued \$305,000 of clean renewable energy bonds as authorized by the Internal Revenue Service under Section 54 of the Internal Revenue Code (the Code) of 1986, as amended. A CREB is a tax credit bond in which the holder of the CREBs receives a federal tax credit in lieu of interest. The tax credit accrues quarterly and may be applied to the holder's regular and alternative minimum tax liability. Tax credit rate and maximum maturity are determined by the Secretary of Treasury for the day on which the bond was sold.

Proceeds must be spent on qualified projects, as described in Section 45(d) of the Code, owned by a governmental body. The issuer (TVCSD) must enter into a binding commitment within six months of date of issue and spend at least ten percent of the proceeds of the issue. An equal amount of principal must be paid by the issuer during each calendar year. The project must be completed within five years of issue, July 14, 2014, and 95 percent of the proceeds must be spent or redeemed within 90 days after such period. The bonds are secured by the project equipment.

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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 7 CLEAN RENEWABLE ENERGY BONDS (CREBs), continued

TVCS D's qualified project installs two solar power systems at the irrigation fields and treatment plant. Construction expenditures commenced August 2009 exceeded \$150,000 within six months of date of issue and totaled \$157,631 at June 30, 2010.

Annual payments of \$17,941 are due each year beginning December 2009 and the final payment due July 2025. Future payments due annually in December are:

2010	17,941
2011	17,941
2012	17,941
2013	17,941
2014	17,941
Thereafter	197,353

NOTE 8 AUTHORITATIVE PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 54 *Fund Balance Reporting and Governmental Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental type definitions. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The requirements of GASB Statement No. 54 will be effective for TVCS D financial statements for the fiscal year ending June 30, 2011. Early implementation is encouraged. At this time TVCS D is not certain of the effect the adoption of GASB Statement No. 54 will have on the accompanying financial statements.

NOTE 9 SUBSEQUENT EVENTS

TVCS D has evaluated subsequent events through **MONTH, DAY**, 2010, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2010 that would have a material impact on the TVCS D results of operations or financial position.

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SUPPLEMENTAL INFORMATION

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
 COMPARATIVE STATEMENT OF ACTIVITIES
 BUDGET vs ACTUAL - ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE			
Assessment income	\$ 184,249	\$ 205,959	\$ 21,710
Levy 4	23,250	34,197	10,947
Grants	120,000	87,717	(32,283)
Loan proceeds	70,000	-	(70,000)
Other program revenue	<u>19,701</u>	<u>2,820</u>	<u>(16,881)</u>
Total revenue	<u>417,200</u>	<u>330,693</u>	<u>(86,507)</u>
EXPENSE			
Sewer treatment, collection and disposal	7,508	6,959	549
Administration and general	177,681	188,631	(10,950)
Interest expense	<u>42,070</u>	<u>6,597</u>	<u>35,473</u>
Total expense	<u>227,259</u>	<u>202,187</u>	<u>25,072</u>
OTHER INCOME (EXPENSE)			
Interest income	-	3,675	(3,675)
Depreciation expense	<u>-</u>	<u>(36,130)</u>	<u>(36,130)</u>
Total other income (expense)	<u>-</u>	<u>(32,455)</u>	<u>(39,805)</u>
CHANGE IN NET ASSETS	<u>189,941</u>	<u>96,051</u>	<u>\$ (101,240)</u>
NET ASSETS, BEGINNING		<u>1,713,527</u>	
NET ASSETS, ENDING		<u>\$ 1,809,578</u>	

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TOMALES VILLAGE COMMUNITY SERVICE DISTRICT
 COMPARATIVE STATEMENT OF ACTIVITIES
 BUDGET vs ACTUAL - GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE			
Grants	\$ 27,400	\$ -	\$ (27,400)
Contributions	1,400	5,010	3,610
Use fees	300	125	(175)
Other program revenue	51	27	(24)
Total revenue	<u>29,151</u>	<u>5,162</u>	<u>(23,989)</u>
EXPENSE			
Park maintenance	1,560	1,375	185
Administration and general	2,064	40	2,024
Other operating expense	-	814	(814)
Total expense	<u>3,624</u>	<u>2,229</u>	<u>1,395</u>
Transfers in		11,231	
Capital outlay		<u>(14,240)</u>	
Net transfers		<u>(3,009)</u>	
CHANGE IN NET ASSETS	<u>25,527</u>	<u>(76)</u>	<u>\$ (22,594)</u>
NET ASSETS, BEGINNING		<u>4,278</u>	
NET ASSETS, ENDING		<u>\$ 4,202</u>	

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Tomales Village Community Services District
Tomales, California

We have audited the financial statements of Tomales Village Community Services District as of and for the year ended June 30, 2010, and have issued our report thereon dated XXXXXXXX, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tomales Village Community Services District' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tomales Village Community Services District' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tomales Village Community Services District' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tomales Village Community Services District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Tomales Village Community Services District' management and Board of Directors, and other affected governmental agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

XXXXXXXXXX, 2010
Santa Rosa, California

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