

**TOMALES VILLAGE  
COMMUNITY SERVICE DISTRICT**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
June 30, 2012**

TOMALES VILLAGE  
COMMUNITY SERVICE DISTRICT

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**FECHTER  
& COMPANY**  
Certified Public Accountants

Craig R. Fechter, CPA  
Scott A. German, CPA

## 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 and the business-type activities of the Tomales Village Community Services District as of and for the year ended June 30, 2012, 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 of the United States. Those standards required 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 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 Services District as of June 30, 2012, 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 January 15, 2013, 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.

Board of Directors  
Tomales Village Community Services District

The management's discussion and analysis and budgetary comparison information on pages 3-5 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.

Fechter and Company, Certified Public Accountants

A handwritten signature in black ink that reads "Fechter and Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California  
January 15, 2013

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Management's Discussion and Analysis**

This section for the District's Financial Statement presents our analysis of the District's financial performance for the Fiscal Year that ended June 30, 2012. 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. The operation and maintenance of the Tomales Community Park is funded entirely through donations, fund raisers and grants. The District is a post Proposition 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. The District receives an ad-valorem tax, voted on by the community of \$.02/hundred valuation, for the operation and maintenance of the system. Loans are repaid out of the Operations & Maintenance General Fund.

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. 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 stations, 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.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 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 completed and has been added to the depreciation schedule. The Project encompassed developing new accessible play structures, handicap paths, accessible bathrooms, new picnic areas and open space. The finished Park meets all of the stringent State and Federal requirements for safety and accessibility and is a model facility for other small communities.

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 project was completed by year-end.

**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 changes. 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 charges.

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.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Financial Highlights**

- Current Assets decreased over the last year by \$20,137.
- Fixed Assets decreased by \$56,841 over the same period reflecting the depreciation.
- Change in Total Assets over the last year amounts to a decrease of \$79,087.
- Total Liabilities decreased by a net of \$34,683 primarily due to principal payments on loans.
- The District's Net Assets decreased \$44,405.

**Future Projections**

With the major WWTP Improvement Project completed, a key priority of the District has been fulfilled, which was to develop a safe, reliable and environmentally friendly wastewater treatment system. The new system not only meets that criteria, but has been awarded the Small Plant of the Year Award for 2010 by the California Water Environment Association Redwood Empire Section. The District is now in a good position to concentrate on paying down the low interest loans, build District reserves, and comply with new state regulations and government requirements. The District is developing the required policy manuals mandated by the new Community Services District Law. Additionally, the District is regulated by the SWRCB's new WDR requiring a fiscal accounting and revenue source for funding future asset replacement.

The most recent rate increase issued by the District was dedicated to the repayment of the Clean Renewable Energy Bonds that funded the Solar Project. That funding, along with the California Solar Initiative rebates will offset the cost of the bonds for another two years. After that, the reduction in PGE costs will offset future payments. As has been discussed for the last several years, increased costs, new regulations and future maintenance will necessitate rate increases of 4-5% per year over the next several years; however, no rate increase has been budgeted or approved for the 2012-13 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.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 7,716	\$ 338,250	\$ 345,966
Restricted cash	-	-	-
Accounts receivable	-	2,212	2,212
Notes receivable, current portion	-	1,150	1,150
Total current assets	<u>7,716</u>	<u>341,612</u>	<u>349,328</u>
Capital Assets, Net	<u>276,247</u>	<u>1,879,399</u>	<u>2,155,646</u>
Noncurrent Assets:			
Bond issuance costs, unamortized	-	12,559	12,559
Note receivable, net	-	23,625	23,625
<b>TOTAL ASSETS</b>	<u><u>\$ 283,963</u></u>	<u><u>\$ 2,257,195</u></u>	<u><u>\$ 2,541,158</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 6,832	\$ 6,832
Current Portion of Long-term Debt	-	35,707	35,707
Total current liabilities	-	42,539	42,539
Long-term Debt, Net	-	446,765	446,765
Total Liabilities	-	<u>489,304</u>	<u>489,304</u>
Net Assets:			
Invested in capital assets, net of related debt	276,247	1,396,927	1,673,174
Unrestricted	7,716	370,964	378,680
Total Net Assets	<u>283,963</u>	<u>1,767,891</u>	<u>2,051,854</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 283,963</u></u>	<u><u>\$ 2,257,195</u></u>	<u><u>\$ 2,541,158</u></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  
FOR THE YEAR ENDED JUNE 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Operating revenues:</b>			
Service-type assessments	\$ -	\$ 170,040	\$ 170,040
Total operating revenues	<u>-</u>	<u>170,040</u>	<u>170,040</u>
<b>Operating expenses:</b>			
Sewage collection	-	339	339
Sewage treatment	-	1,221	1,221
Sewage disposal	-	246	246
Administration and general	8,822	175,696	184,518
Depreciation and amortization	14,140	49,428	63,568
Other operating expenses	-	-	-
Total operating expenses	<u>22,962</u>	<u>226,930</u>	<u>249,892</u>
Revenue (Loss) from Operations	<u>(22,962)</u>	<u>(56,890)</u>	<u>(79,852)</u>
<b>Non-operating revenues and (expenses):</b>			
Interest income	-	2,086	2,086
Taxes revenue	-	11,927	11,927
SUSD capital improvement component	-	-	-
SUSD sinking fund revenue	-	8,062	8,062
Interest expense	-	(6,230)	(6,230)
Reimbursed Expenses	1,970	7,641	9,611
Grants	8,607	1,384	9,991
Transfers (to)/ from governmental funds	(5,000)	5,000	-
Total non-operating revenues and (expenses)	<u>5,577</u>	<u>29,870</u>	<u>35,447</u>
Change in net assets	(17,385)	(27,020)	(44,405)
Beginning net assets	<u>301,348</u>	<u>1,794,911</u>	<u>2,096,259</u>
Ending net assets	<u>\$ 283,963</u>	<u>\$ 1,767,891</u>	<u>\$ 2,051,854</u>

The accompanying notes are an integral part of these financial statements

**TOMALES VILLAGE COMMUNITY SERVICE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2012**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	<u>\$ 7,716</u>
Total assets	<u><u>\$ 7,716</u></u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	\$ -
Fund Balances:	
Unassigned	<u>7,716</u>
Total Liabilities & Fund Balances	<u><u>\$ 7,716</u></u>

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

Total fund balances - governmental funds	\$ 7,716
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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:	<u>276,247</u>
Net assets of governmental activities	<u><u>\$ 283,963</u></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, 2012**

**REVENUES**

Grant revenues	\$ 8,607
Other revenues	1,970
Total revenues	10,577

**EXPENDITURES**

Administration and general	8,822
Capital outlay	5,830
Total expenditures	14,652

Excess revenues over expenditures	(4,075)
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**OTHER FINANCING**

Transfers to	(5,000)
Total other financing	(5,000)

**NET CHANGES IN FUND BALANCE**

(9,075)

Fund Balance, Beginning	16,791
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Fund Balance, Ending	\$ 7,716
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The accompanying notes are an integral part of these financial statements

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET ASSETS - ENTERPRISE FUND  
JUNE 30, 2012**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 338,250
Restricted cash	
Accounts receivable	2,212
Notes receivable, current portion	1,150
Total current assets	<u>341,612</u>

Capital Assets, Net	<u>1,879,399</u>
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Noncurrent Assets:

Bond issuance costs, unamortized	12,559
Note receivable, net	<u>23,625</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 2,257,195</u></u>
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**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable and accrued liabilities	\$ 6,832
Current Portion of Long-term Debt	35,707
Total current liabilities	<u>42,539</u>
Long-term Debt, Net	446,765
Total Liabilities	<u>489,304</u>

Net Assets:

Invested in capital assets, net of related debt	1,396,927
Unrestricted	370,964
Total Net Assets	<u>1,767,891</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,257,195</u></u>
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The accompanying notes are an integral part of these financial statements

**TOMALES VILLAGE COMMUNITY SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Operating revenues:</b>	
Service-type assessments	\$ 170,040
Total operating revenues	170,040
 <b>Operating expenses:</b>	
Sewage collection	339
Sewage treatment	1,221
Sewage disposal	246
Administration and general	175,696
Depreciation and amortization	49,428
Total operating expenses	226,930
Revenue (Loss) from Operations	(56,890)
 <b>Non-operating revenues and (expenses):</b>	
Interest income	2,086
Taxes revenue	11,927
SUSD capital improvement component	-
SUSD sinking fund revenue	8,062
Interest expense	(6,230)
Reimbursed Expenses	7,641
Grants	1,384
Transfers (to)/ from governmental funds	5,000
Total non-operating revenues and (expenses)	29,870
Change in net assets	(27,020)
Beginning net assets	1,794,911
Ending net assets	\$ 1,767,891

The accompanying notes are an integral part of these financial statements

**TOMALES VILLAGE COMMUNITY SERVICE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**ENERPRISE FUND**  
**For the Year Ended June 30, 2012**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 176,658
Payments to suppliers	<u>(176,335)</u>
Net cash provided by operating activities	<u>323</u>
<b>Cash Flows from non-capital financing activities:</b>	
Proceeds from taxes and assessments	11,927
Proceeds from note receivable	<u>1,089</u>
Net cash provided by non-capital financing activities	<u>13,016</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	-
Interest paid	(6,230)
Principal payments on long-term debt	(35,849)
Transfers	5,000
Proceeds from grants and contributions	17,087
Restricted cash	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(19,992)</u>
<b>Cash flows from investing activities:</b>	
Interest income	<u>2,086</u>
Net cash provided by investing activities	<u>2,086</u>
Net increase (decrease) in cash and cash equivalents	(4,567)
Cash and cash equivalents, beginning of year	<u>342,817</u>
Cash and cash equivalents, end of year	<u><u>338,250</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:</b>	
Operating income (loss)	\$ (56,890)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	49,428
(Increase) decrease in accounts receivable	6,618
Increase (decrease) in accounts payable and accrued liabilities	<u>1,167</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 323</u></u>

The accompanying notes are an integral part of these financial statements

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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 194 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 when payment is due.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2012**

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting and Measurement Focus and Financial Statement Presentation (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.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balances**

In February 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are now broken out in five categories:

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

**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 is placed in the General Fund and used for Operation, Maintenance and Debt service. The sinking fund portion of the school district payment is restricted.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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:

	Principal	Interest
2013	\$ 1,150	\$ 1,491
2014	1,224	1,417
2015	1,375	1,266
2016	1,454	1,187
2017	1,544	1,097
Thereafter	18,028	4,961
Total	\$ 24,775	\$ 11,419

**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, 2012.

The District is permitted by the Government Code of the state to levy taxes up to \$0.75 per \$100 of assessed valuation for ongoing operational costs of the district. The tax rate for the year ended June 30, 2012 was \$0.02 per \$100 of assessed valuation. The sewer service rate fees to finance general sewer services and operations for the year ended June 30, 2012, was \$63 per equivalent unit.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5: CAPITAL ASSETS**

A summary of capital assets at June 30, 2012 is as follows:

<b>Capital Assets – Business-type activities</b>	<u>Beginning</u>	<u>Additions</u>	<u>Retired</u>	<u>Adj</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	-	-	-	-	-
Total capital assets not being depreciated	<u>202,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,036</u>
Capital assets being depreciated:					
Sewer equipment	340,088	-	-	-	340,088
Solar equipment	269,945	-	-	-	269,945
Treatment facilities	451,578	-	-	-	451,578
Pond improvement project	936,054	-	-	-	936,054
Total capital assets being depreciated	<u>1,997,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,997,665</u>
Less accumulated depreciation	<u>(271,771)</u>	<u>(48,531)</u>	<u>-</u>	<u>-</u>	<u>(320,302)</u>
Net capital assets being depreciated	<u>1,725,894</u>	<u>(48,531)</u>	<u>-</u>	<u>-</u>	<u>1,677,363</u>
Total net capital assets – Business-type activities	<u>\$1,927,930</u>	<u>\$ (48,531)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,879,399</u>
<b>Capital Assets – Governmental activities</b>	<u>Ending</u>	<u>Additions</u>	<u>Retired</u>	<u>Adj</u>	<u>Ending</u>
Capital assets, not being depreciated:					
Construction in progress – Park development	\$ -	\$ 5,830	\$ -	\$ (5,830)	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>5,830</u>	<u>-</u>	<u>(5,830)</u>	<u>-</u>
Capital Assets being depreciated:					
Park equipment	291,853	-	-	5,830	297,683
Total capital assets being depreciated	<u>291,853</u>	<u>-</u>	<u>-</u>	<u>5,830</u>	<u>297,683</u>
Less accumulated depreciation	<u>(7,296)</u>	<u>(14,140)</u>	<u>-</u>	<u>-</u>	<u>(21,436)</u>
Net capital assets being depreciated	<u>284,557</u>	<u>(14,140)</u>	<u>-</u>	<u>-</u>	<u>276,247</u>
Total net capital assets – Governmental activities	<u>\$ 284,557</u>	<u>\$ (8,310)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,247</u>

**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 \$231,295 at June 30, 2011. The loan is repaid annually in installments of \$24,137 including principal and interest at 2.5% over thirteen years. The loan matures in December 2022.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6: LONG-TERM DEBT (continued)**

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

	Principal	Interest
2013	\$ 18,355	\$ 5,782
2014	18,814	5,323
2015	19,284	4,853
2016	19,766	4,371
2017	20,260	3,877
Thereafter	134,814	12,170
Total	\$231,293	\$ 36,376

**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 that 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) had to enter into a binding commitment within six months of date of issue and spend at least ten percent of the proceeds of the issue. The TVCSD has spent 100% of the proceeds of the issue. The project had to be completed within five years of the issue, or July 2014, and 95% of the proceeds must be spent or redeemed within 90 days after such period. The bonds are secured by the project equipment.

TVCSD's qualified project installed two solar power systems at the Irrigation Field and the Treatment Plant. Construction expenditures commenced August 2009, exceeded \$150,000 within six months of date of issue, and totaled \$269,945 at June 30, 2012. The construction project is 100% complete, with some ongoing administrative costs as part of the qualified project proceeds.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7: CLEAN RENEWABLE ENERGY BONDS (CREBs) - Continued**

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:

2013	\$ 17,941
2014	17,941
2015	17,941
2016	17,941
2017	17,941
Thereafter	<u>161,472</u>
Total	<u>\$ 251,177</u>

**NOTE 8: SUBSEQUENT EVENTS**

TVCS D has evaluated subsequent events through January 15, 2013 the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2012 that would have a material impact on the TVCS D results of operations or financial position.

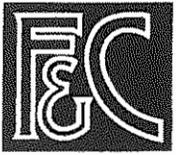
SUPPLEMENTAL INFORMATION

**TOMALES VILLAGE COMMUNITY SERVICE DISTRICT  
BUDGET VS. ACTUAL - ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Operating revenues:</b>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Service-type assessments	\$ 172,396	\$ 170,040	\$ 2,356
Total operating revenues	<u>172,396</u>	<u>170,040</u>	<u>2,356</u>
<b>Operating expenses:</b>			
Sewage collection	480	339	141
Sewage treatment	2,700	1,221	1,479
Sewage disposal	640	246	394
Administration and general	185,113	175,696	9,417
Depreciation and amortization	900	49,428	(48,528)
Total operating expenses	<u>189,833</u>	<u>226,930</u>	<u>(37,097)</u>
Revenue (Loss) from Operations	<u>(17,437)</u>	<u>(56,890)</u>	<u>39,453</u>
Non-operating revenues and (expenses):			
Interest income	2,280	2,086	194
Taxes revenue	8,825	11,927	(3,102)
SUSD capital improvement component	-	-	-
SUSD sinking fund revenue	7,539	8,062	(523)
Interest expense	(6,230)	(6,230)	-
Reimbursed Expenses		7,641	(7,641)
Grants	10,000	1,384	8,616
Transfers (to)/ from governmental funds	5,000	5,000	-
Total non-operating revenues and (expenses)	<u>27,414</u>	<u>29,870</u>	<u>(2,456)</u>
Change in net assets	\$ 9,977	(27,020)	\$ 36,997
Beginning net assets		<u>1,794,911</u>	
Ending net assets		<u>\$ 1,767,891</u>	

**TOMALES VILLAGE COMMUNITY SERVICE DISTRICT  
BUDGET VS. ACTUAL - GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>REVENUES</b>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Grant revenues	\$ 3,000	\$ 8,607	\$ 5,607
Other revenues	5,667	1,970	(3,697)
Total revenues	<u>8,667</u>	<u>10,577</u>	<u>1,910</u>
<b>EXPENDITURES</b>			
Administration and general	2,162	8,822	(6,660)
Capital outlay	-	5,830	(5,830)
Total expenditures	<u>2,162</u>	<u>14,652</u>	<u>(12,490)</u>
Excess revenues over expenditures	<u>6,505</u>	<u>(4,075)</u>	<u>(10,580)</u>
<b>OTHER FINANCING</b>			
Transfers in	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total other financing	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,505</b>	<b>(9,075)</b>	<b>\$ (10,580)</b>
Fund Balance, Beginning		<u>16,791</u>	
Fund Balance, Ending		<u><u>\$ 7,716</u></u>	



**INDEPENDENT AUDITOR'S 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, 2012, and have issued our report thereon dated January 15, 2013. 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's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tomales Village Community Services District's 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.

Board of Directors  
Tomales Village Community Services District

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tomales Village Community Services District's 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's 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.

Fechter and Company, Certified Public Accountants

A handwritten signature in black ink that reads "Fechter and Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California  
January 15, 2013