

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2011**

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## Independent Auditors' Report

To the Board of Directors  
**Tamalpais Community Services District**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Tamalpais Community Services District** (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Tamalpais Community Services District's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Tamalpais Community Services District** as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 through 10 and page 41 are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CROCE & COMPANY  
Accountancy Corporation  
Stockton, California  
September 30, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2011

This narrative overview and analysis of the Tamalpais Community Services District's (District) financial activities for the fiscal year ended June 30, 2011 has been provided by the management of the District. The management's discussion and analysis is intended to serve as an introduction to the District's financial statements which follow this section and is recommended to be reviewed in conjunction with them.

### Financial Highlights

- The District's net assets decreased by \$206,191 over the prior year, including a \$138,058 decrease in net assets of governmental activities, and a \$68,133 decrease in net assets of business-type activities. The District's net assets are now \$3,300,418.
- Total assets of the District were \$9,126,480 with capital assets at \$8,178,453 net of accumulated depreciation. Current and other assets were \$948,027.
- Total liabilities were \$5,826,062 consisting of long-term liabilities of \$5,498,843 and other current liabilities at \$327,219.
- Assets of the District exceeded liabilities at the close of the most recent fiscal year by \$3,300,418 (net assets). Of this amount, \$222,176 (unrestricted net assets) may be used to meet the District's ongoing obligations, and \$3,078,242 is invested in capital assets, net of related debt.
- On the current financial resources basis, the District's governmental fund expenses exceeded expenditures (including \$73,550 in capital outlay expenditures) by \$138,058. The proprietary fund expenses exceeded revenues by \$68,133.
- At year-end, there was \$567,688 in cash and investments to fund future governmental activities, and \$283,948 in cash and investments to fund future business-type activities.

### Overview of the Financial Statements

The District's financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to financial statements including required supplementary information.

Government-wide and fund financial statements present the results of operations for different functions of the District as follows:

1. **Government-wide financial statements** provide both long-term and short-term information about the District's overall financial position in a manner similar to private-sector business.

The **Statement of Net Assets** displays all of the District's assets and liabilities, with the difference between the two reported as net assets. The **Statement of Activities** provides all current year revenues and expenses on an accrual basis of accounting regardless of when cash is received or

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2011

### Overview of the Financial Statements (Continued)

paid. These two government-wide statements report the District's net assets and how they have changed during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The government-wide financial statements separately present the District's functions as follows:

- **Governmental activities** include services financed mainly through property taxes. The District's parks and recreation and community center services comprise its governmental activities.
  - **Business-type activities** include services financed, in whole or in part, by fees paid by those who directly benefit from the service. The District's business-type activities include wastewater collection and treatment and garbage collection and disposal.
2. **Fund financial statements** focus on the individual functions of the District, and report the District's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control their resources that are legally restricted or otherwise earmarked for special purposes. The District reports its fund financial statements in the following two categories:
- **Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 1) short-term inflows and outflows of expendable resources, and 2) the resources remaining at the end of the fiscal year that are available for future use. Because the focus of governmental funds is narrower than the government-wide financial statements, a reconciliation that explains the relationship (or differences) between them is presented following each of the governmental fund statements.
  - **Proprietary funds** are used to report the same functions presented as business-type activities in the government-wide financial statements in more detail.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the financial statements.

### Financial Analysis of the Government-wide Financial Statements

A review of net assets over time may serve as a useful indicator of the District's financial position. Net assets represent the difference between the District's assets and liabilities. As of June 30, 2011, the District's net assets were \$3,300,418, a decrease of \$206,191 from prior year. The following table outlines the District's net assets by function for the current and prior fiscal years.

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Management's Discussion and Analysis**

June 30, 2011

**Financial Analysis of the Government-wide Financial Statements (Continued)**

Tamalpais Community Services District Net Assets  
(rounded to nearest thousand)  
As of June 30, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Variance</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
<b><u>Assets</u></b>							
Current and other assets	\$ 601,922	\$ 534,916	\$ 346,105	\$ 127,737	\$ 948,027	\$ 662,653	\$ 285,374
Capital assets, net	<u>1,368,328</u>	<u>1,386,571</u>	<u>6,810,125</u>	<u>7,174,402</u>	<u>8,178,453</u>	<u>8,560,973</u>	<u>(382,520)</u>
Total assets	<u>1,970,250</u>	<u>1,921,487</u>	<u>7,156,230</u>	<u>7,302,139</u>	<u>9,126,480</u>	<u>9,223,626</u>	<u>(97,146)</u>
<b><u>Liabilities</u></b>							
Current liabilities	189,863	46,746	137,356	85,608	327,219	132,354	194,865
Non-current liabilities	<u>101,336</u>	<u>57,632</u>	<u>5,397,507</u>	<u>5,527,031</u>	<u>5,498,843</u>	<u>5,584,663</u>	<u>(85,820)</u>
Total liabilities	<u>291,199</u>	<u>104,378</u>	<u>5,534,863</u>	<u>5,612,639</u>	<u>5,826,062</u>	<u>5,717,017</u>	<u>109,045</u>
<b><u>Net Assets</u></b>							
Invested in capital assets	1,368,328	1,386,571	1,709,914	1,848,843	3,078,242	3,235,414	(157,172)
Unrestricted	<u>310,723</u>	<u>430,538</u>	<u>(88,547)</u>	<u>(159,343)</u>	<u>222,176</u>	<u>271,195</u>	<u>(49,019)</u>
Total net assets	<u>\$ 1,679,051</u>	<u>\$ 1,817,109</u>	<u>\$ 1,621,367</u>	<u>\$ 1,689,500</u>	<u>\$ 3,300,418</u>	<u>\$ 3,506,609</u>	<u>\$ (206,191)</u>

By far, the largest portion of the District's net assets, approximately 93%, reflects its net capital assets (e.g., land, buildings and improvements, equipment, etc.). The District uses its capital assets to provide the services it is responsible for and those assets don't represent future expendable resources. The remaining balance of unrestricted net assets (\$222,176) may be used to meet the government's ongoing obligations.

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Management's Discussion and Analysis**

June 30, 2011

**Financial Analysis of the Government-wide Financial Statements (Continued)**

The following table displays the change in the District's net assets for the year ended June 30, 2011.

Tamalpais Community Services District Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 205,770	\$ 166,873	\$ 3,967,959	\$ 3,189,851	\$ 4,173,729	\$ 3,356,724
Operating grants and contributions	24,993	18,594	-	-	24,993	18,594
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	615,477	651,658	-	-	615,447	651,658
Investment earnings	1,412	2,616	5,504	6,356	6,916	8,972
Miscellaneous	<u>1,381</u>	<u>620</u>	<u>4,687</u>	<u>-</u>	<u>6,068</u>	<u>620</u>
Total revenues	<u>849,003</u>	<u>840,361</u>	<u>3,978,150</u>	<u>3,196,207</u>	<u>4,827,153</u>	<u>4,036,568</u>
<b>Expenses</b>						
Community center	48,512	39,918	-	-	48,512	39,918
Parks and recreation	938,549	792,969	-	-	938,549	792,969
Sanitation	-	-	2,665,213	2,588,927	2,665,213	2,588,927
Refuse	<u>-</u>	<u>-</u>	<u>1,381,070</u>	<u>1,444,049</u>	<u>1,381,070</u>	<u>1,444,049</u>
Total expenses	<u>987,061</u>	<u>832,887</u>	<u>4,046,283</u>	<u>4,032,976</u>	<u>5,033,344</u>	<u>4,865,863</u>
<b>Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(138,058)	7,474	(68,133)	(836,769)	(206,191)	(829,295)
<b>Net assets, beginning of year</b>	<u>1,817,109</u>	<u>1,809,635</u>	<u>1,689,500</u>	<u>2,526,269</u>	<u>3,506,609</u>	<u>4,335,904</u>
<b>Net assets, end of year</b>	<u>\$ 1,679,051</u>	<u>\$ 1,817,109</u>	<u>\$ 1,621,367</u>	<u>\$ 1,689,500</u>	<u>\$ 3,300,418</u>	<u>\$ 3,506,609</u>

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# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2011

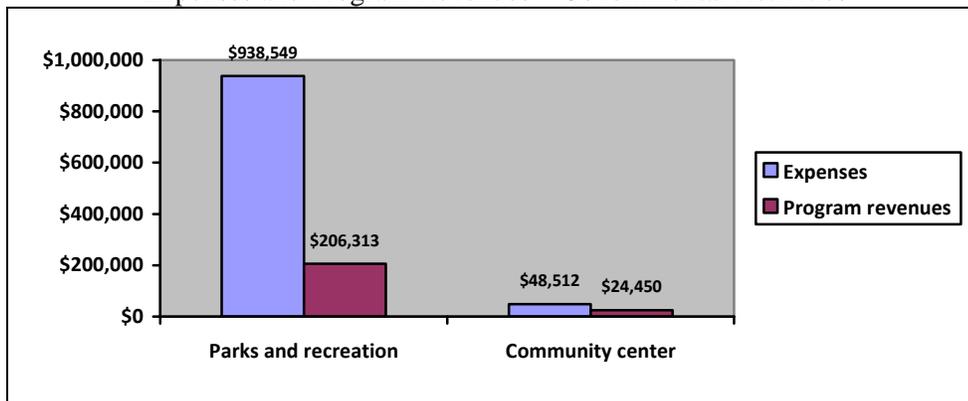
### Financial Analysis of the Government-wide Financial Statements (Continued)

The \$206,191 decrease in total net assets is attributed to each function as follows:

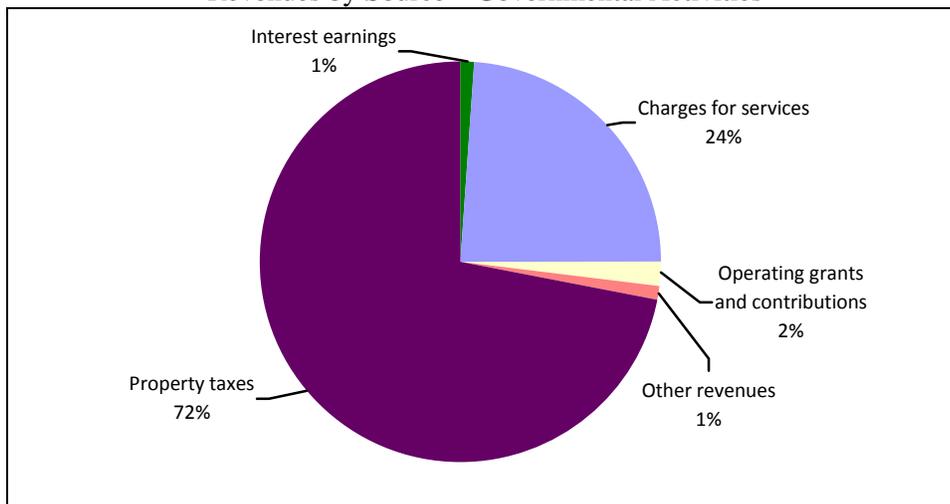
#### Governmental Activities

- Charges for services increased \$38,897 due to an increase in event revenue.
- Property taxes decreased by \$36,211 due to the District receiving revenue from the Excess Educational Revenue Augmentation Fund (ERAF) from the County in the prior year.
- Investment earnings decreased by \$1,204 due to a decline in interest rates.
- Costs for salaries and wages expense increased \$37,392 (21%). Costs for employee benefits increased \$22,036 (17%). Costs for consultants increased \$14,981 (100%).

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

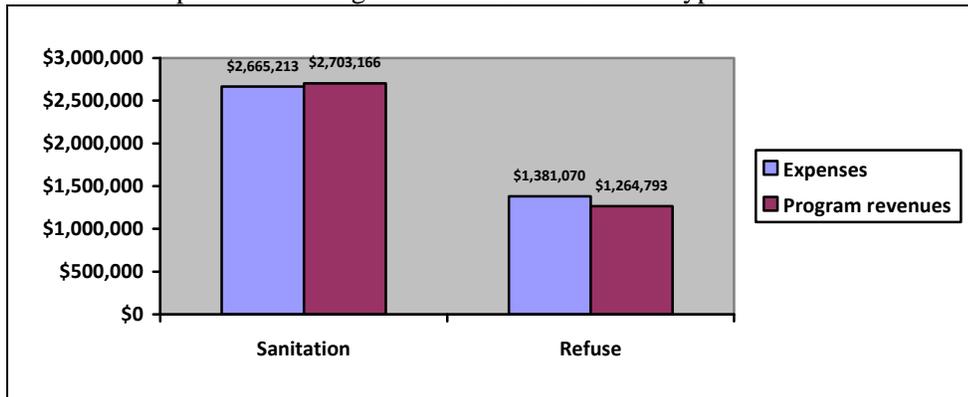
June 30, 2011

### Financial Analysis of the Government-wide Financial Statements (Continued)

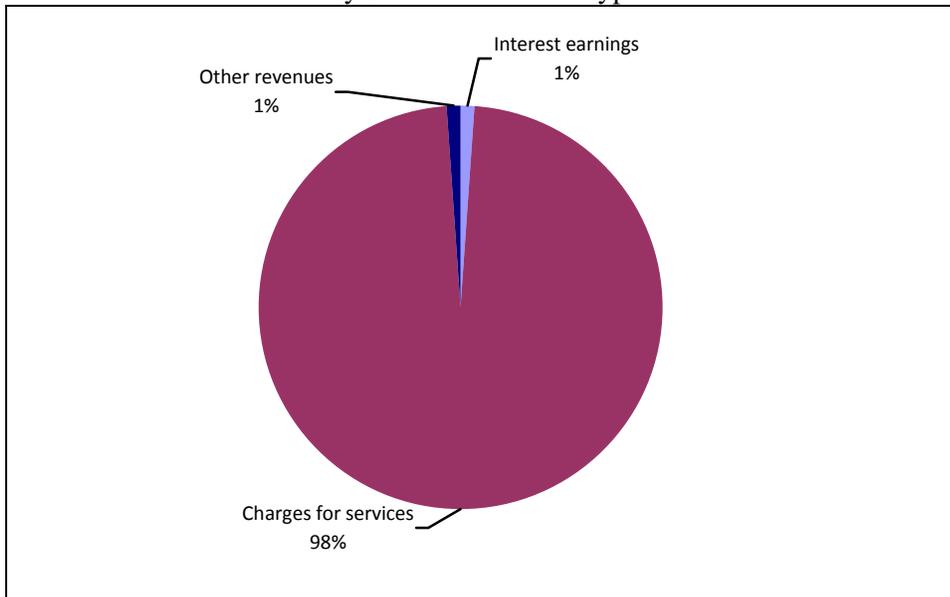
#### *Business-type Activities*

- Revenues from user fees increased \$778,108 (25%) due to an increase in sewer rates from \$701/edu to \$1,013/edu.
- Expenses decreased \$13,307 (1%) primarily due to lower fees paid to Sausalito-Marin City Sanitary District (SMCSD) for wastewater treatment and plant construction and costs associated with salaries and wages.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2011

### **Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### ***Governmental Funds***

The focus of the District's governmental funds is to provide information on the short-term inflows and outflows and balances of current expendable resources. In particular, the *unassigned fund balance* presented in the balance sheet may serve as a useful measure of the District's resources available for spending at the end of its fiscal year.

As of the end of the current fiscal year, the District's combined governmental fund revenues exceeded expenditures by \$91,235 primarily due to increased capital projects and increased grant revenue. This resulted in a \$91,235 increase in the combined ending fund balance of the District's governmental funds. The fund balance of the parks and recreation fund increased by \$115,297 and the fund balance of the community center fund decreased by \$24,062. At year-end, the combined fund balance of governmental funds was \$545,745, consisting of \$144,161 restricted for grant projects, \$230,000 assigned for capital outlay and \$171,584 was unassigned, which is available for spending at the government's discretion.

#### ***Proprietary Funds***

The District's proprietary fund statements provide the same type of information, in more detail, on the business-type activities presented in the government-wide financial statements.

The net assets of the proprietary funds decreased by \$68,133 from \$1,689,500 to \$1,621,367. The net assets included (\$88,547) in unrestricted net assets (deficit) which has decreased by \$70,796 or 44% from the previous year. The decrease in unrestricted net assets is primarily due to a decrease in sales of recyclable materials and an increase in green waste disposal fees from the previous year. Changes in total net assets from last year are as follows: Sanitation increase of \$44,460 and refuse decrease of \$112,593.

### **Budgetary Highlights**

The District adopts annual operating budgets for both the governmental and the proprietary funds, and this report includes the results of governmental fund operations on a budgetary comparison basis. The District Board also adopts budget amendments during the course of the fiscal year to adjust for unforeseen circumstances and changes in priorities.

#### ***Parks and Recreation Fund***

The parks and recreation fund reflects a net favorable budget variance of \$192,117 when comparing actual amounts to the final budget for the fiscal year. The actual revenues exceeded the budget by \$178,096 and actual expenditures were less than the budgeted amount by \$14,021. The expenditure variances are mainly due to the District not including capital outlay as part of their budget.

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2011

### Capital Asset and Debt Administration

#### Capital Assets

At the end of fiscal year 2011, the District's investment in capital assets amounted to \$8,178,453 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, vehicles, park facilities and sanitation and refuse systems.

The District's total investment in capital assets before depreciation increased by \$151,414 from \$12,586,290 to \$12,434,876. Significant additions to capital assets included:

- Eastwood Park tennis court resurface (\$53,200)
- Live sound equipment (\$10,053)

The following table displays the changes in District's capital assets, net of accumulated depreciation.

Tamalpais Community Services District's Capital Assets  
(net of depreciation, in rounded dollars)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 66,500	\$ 66,500	\$ 29,853	\$ 29,853	\$ 96,353	\$ 96,353
Buildings and improvements	1,264,895	1,211,695	745,399	745,399	2,010,294	1,957,094
Collection system	-	-	5,267,160	5,267,160	5,267,160	5,267,160
Pumping stations	-	-	2,471,772	2,471,772	2,471,772	2,471,772
Equipment	73,107	60,030	549,567	549,567	622,674	609,597
Leasehold improvements	759,338	759,338	-	-	759,338	759,338
Vehicles	28,794	28,794	1,244,768	1,244,768	1,273,562	1,273,562
Construction in progress	7,274	-	77,863	-	85,137	-
Total	2,199,908	2,126,357	10,386,382	10,308,519	12,586,290	12,434,876
Less accumulated depreciation	(831,580)	(739,786)	(3,576,257)	(3,134,117)	(4,407,837)	(3,873,903)
Net capital assets	<u>\$ 1,368,328</u>	<u>\$ 1,386,571</u>	<u>\$ 6,810,125</u>	<u>\$ 7,174,402</u>	<u>\$ 8,178,453</u>	<u>\$ 8,560,973</u>

Additional information on the District's capital assets can be found in Note E of the "Notes to Financial Statements" section.

#### Long-term Debt

During fiscal year 2011, all debt service was paid when and as required. Additional information about long-term debt can be found in Note F of this report.

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2011

### **Economic Factors and Next Year's Budgets and Rates**

For the 2011 fiscal year, parks and recreation fund revenue projections have been conservative and comparable to prior years.

During December 2009, in accordance with Proposition 218, the District approved an increase in rates for sanitation services from \$710 per EDU to \$1,013 per EDU effective July 1, 2010.

### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's financial accountability and compliance with applicable laws for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information can be addressed to Tamalpais Community Services District, Attention: General Manager, 305 Bell Lane, Mill Valley, California 94941.

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Statement of Net Assets**

June 30, 2011

	<u>Governmental activities</u>	<u>Business-Type activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 567,688	\$ 283,948	\$ 851,636
Accounts receivable	-	52,873	52,873
Interest receivable	574	801	1,375
Notes receivable	33,660	8,483	42,143
Capital assets, net of accumulated depreciation	<u>1,368,328</u>	<u>6,810,125</u>	<u>8,178,453</u>
Total assets	<u>1,970,250</u>	<u>7,156,230</u>	<u>9,126,480</u>
<b>Liabilities</b>			
Accounts payable	33,181	120,282	153,463
Accrued liabilities	10,549	17,074	27,623
Deposits payable	1,861	-	1,861
Deferred revenue	144,272	-	144,272
Long-term liabilities			
Debt due within one year	-	234,921	234,921
Debt due in more than one year	-	4,865,290	4,865,290
Compensated absences	29,626	106,331	135,957
Accrued other post-employment benefits	<u>71,710</u>	<u>190,965</u>	<u>262,675</u>
Total liabilities	<u>291,199</u>	<u>5,534,863</u>	<u>5,826,062</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,368,328	1,709,914	3,078,242
Unrestricted	<u>310,723</u>	<u>(88,547)</u>	<u>222,176</u>
Total net assets	<u>\$ 1,679,051</u>	<u>\$ 1,621,367</u>	<u>\$ 3,300,418</u>

The accompanying notes are an integral part of this financial statement.

## **STATEMENT OF ACTIVITIES**

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Statement of Activities**

For the year ended June 30, 2011

		Program revenues		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<b>Governmental activities</b>				
Parks and recreation	\$ 938,549	\$ 181,320	\$ 24,993	\$ -
Community center	<u>48,512</u>	<u>24,450</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>987,061</u>	<u>205,770</u>	<u>24,993</u>	<u>-</u>
<b>Business-type activities</b>				
Sanitation	2,665,213	2,703,166	-	-
Refuse	<u>1,381,070</u>	<u>1,264,793</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>4,046,283</u>	<u>3,967,959</u>	<u>-</u>	<u>-</u>
<b>Total government</b>	<u>\$ 5,033,344</u>	<u>\$ 4,173,729</u>	<u>\$ 24,993</u>	<u>\$ -</u>

**General revenues**

- Taxes
- Property taxes
- Homeowners property tax relief
- Investment income
- Miscellaneous

Total general revenues

**Change in net assets**

**Net assets, beginning of year**

**Net assets, end of year**

Net (expense) revenue and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (732,236)	\$ -	\$ (732,236)
<u>(24,062)</u>	<u>-</u>	<u>(24,062)</u>
<u>(756,298)</u>	<u>-</u>	<u>(756,298)</u>
-	37,953	37,953
<u>-</u>	<u>(116,277)</u>	<u>(116,277)</u>
<u>-</u>	<u>(78,324)</u>	<u>(78,324)</u>
<u>(756,298)</u>	<u>(78,324)</u>	<u>(834,622)</u>
612,544	-	612,544
2,903	-	2,903
1,412	5,504	6,916
<u>1,381</u>	<u>4,687</u>	<u>6,068</u>
<u>618,240</u>	<u>10,191</u>	<u>628,431</u>
(138,058)	(68,133)	(206,191)
<u>1,817,109</u>	<u>1,689,500</u>	<u>3,506,609</u>
<u>\$ 1,679,051</u>	<u>\$ 1,621,367</u>	<u>\$ 3,300,418</u>

The accompanying notes are an integral part of this financial statement.

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Balance Sheet  
Governmental Funds**

June 30, 2011

	<u>Parks and Recreation Fund</u>	<u>Nonmajor Community Center Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 567,688	\$ -	\$ 567,688
Due from other funds	100,836	-	100,836
Accounts receivable	-	-	-
Interest receivable	<u>574</u>	<u>-</u>	<u>574</u>
Total assets	<u>\$ 669,098</u>	<u>\$ -</u>	<u>\$ 669,098</u>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Due to other funds	\$ -	\$ 100,836	\$ 100,836
Accounts payable	6,380	-	6,380
Accrued liabilities	8,850	1,699	10,549
Deposits payable	795	1,065	1,860
Deferred revenue	<u>3,728</u>	<u>-</u>	<u>3,728</u>
Total liabilities	<u>19,753</u>	<u>103,600</u>	<u>123,353</u>
Fund balances			
Restricted for:			
California Fire Safe Council Grant	140,544	-	140,544
Sudden Oak Death Delineation Project	3,617	-	3,617
Assigned to:			
Capital outlay	230,000	-	230,000
Unassigned	<u>275,184</u>	<u>(103,600)</u>	<u>171,584</u>
Total fund balances (deficit)	<u>649,345</u>	<u>(103,600)</u>	<u>545,745</u>
Total liabilities and fund balances	<u>\$ 669,098</u>	<u>\$ -</u>	<u>\$ 669,098</u>
<b>Reconciliation to statement of net assets</b>			
Total governmental fund balances			\$ 545,745
Amounts reported for governmental activities in the statement of net assets are different because:			
Notes receivable in governmental funds are not available to pay for current period expenditures			33,660
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			1,368,328
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the balance sheet of governmental funds			<u>(268,682)</u>
Net assets of governmental activities			<u>\$ 1,679,051</u>

The accompanying notes are an integral part of this financial statement.

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds**

For the year ended June 30, 2011

	<u>Parks and Recreation Fund</u>	<u>Nonmajor Community Center Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 615,447	\$ -	\$ 615,447
Charges for services	156,875	-	156,875
Grant income	144,161	-	144,161
Rental income	24,445	22,107	46,552
Contributions	21,376	-	21,376
Investment income	1,412	-	1,412
Other	<u>1,380</u>	<u>2,343</u>	<u>3,723</u>
Total revenues	<u>965,096</u>	<u>24,450</u>	<u>989,546</u>
<b>Expenditures</b>			
Parks and recreation	779,272	-	779,272
Community center	-	45,489	45,489
Capital outlay	<u>70,527</u>	<u>3,023</u>	<u>73,550</u>
Total expenditures	<u>849,799</u>	<u>48,512</u>	<u>898,311</u>
<b>Net change in fund balances</b>	115,297	(24,062)	91,235
<b>Fund balances, beginning of year</b>	<u>534,048</u>	<u>(79,538)</u>	<u>454,510</u>
<b>Fund balances, end of year</b>	<u>\$ 649,345</u>	<u>\$ (103,600)</u>	<u>\$ 545,745</u>

**Reconciliation to statement of activities**

Net change in fund balances – governmental funds	\$ 91,235
Amounts reported for governmental activities in the statement of net assets are different because of the following:	
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds	(91,794)
Governmental funds report capital outlays as expenditures while governmental activities record depreciation expense to allocate those expenditures over the life of the assets	73,550
Change in compensated absences is recorded as an expense in the statement of activities	(7,994)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(140,544)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(26,802)
Other post-employment benefits are recorded as an expense in the statement of activities	<u>(35,709)</u>
Change in net assets of governmental activities	<u>\$ (138,058)</u>

The accompanying notes are an integral part of this financial statement.

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Statement of Net Assets  
Proprietary Funds**

June 30, 2011

	<u>Sanitation Enterprise Fund</u>	<u>Refuse Enterprise Fund</u>	<u>Total</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and investments	\$ 49,241	\$ 234,707	\$ 283,948
Due from other funds	-	257,154	257,154
Accounts receivable	52,873	-	52,873
Interest receivable	227	574	801
Note receivable	<u>8,483</u>	<u>-</u>	<u>8,483</u>
Total current assets	<u>110,824</u>	<u>492,435</u>	<u>603,259</u>
<b>Capital assets, net of accumulated depreciation</b>			
	<u>6,551,810</u>	<u>258,315</u>	<u>6,810,125</u>
Total assets	<u>6,662,634</u>	<u>750,750</u>	<u>7,413,384</u>
<b>Liabilities and Net Assets</b>			
<b>Current liabilities (payable from current assets)</b>			
Due to other funds	257,154	-	257,154
Accounts payable	118,139	2,143	120,282
Accrued liabilities	5,731	11,343	17,074
Current portion of notes payable	<u>234,921</u>	<u>-</u>	<u>234,921</u>
Total current liabilities	<u>615,945</u>	<u>13,486</u>	<u>629,431</u>
<b>Noncurrent liabilities</b>			
Compensated absences	40,803	65,528	106,331
Noncurrent portion of notes payable	4,865,290	-	4,865,290
Accrued other post-employment benefits	<u>55,950</u>	<u>135,015</u>	<u>190,965</u>
Total noncurrent liabilities	<u>4,962,043</u>	<u>200,543</u>	<u>5,162,586</u>
Total liabilities	<u>5,577,988</u>	<u>214,029</u>	<u>5,792,017</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,451,599	258,315	1,709,914
Unrestricted	<u>(366,953)</u>	<u>278,406</u>	<u>(88,547)</u>
Total net assets	<u>\$ 1,084,646</u>	<u>\$ 536,721</u>	<u>\$ 1,621,367</u>

The accompanying notes are an integral part of this financial statement.

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds**

For the year ended June 30, 2011

	Sanitation <u>Enterprise Fund</u>	Refuse <u>Enterprise Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 2,665,340	\$ 1,223,842	\$ 3,889,182
Connection fees	13,743	-	13,743
Other	<u>24,097</u>	<u>43,373</u>	<u>67,470</u>
Total operating revenues	<u>2,703,180</u>	<u>1,267,215</u>	<u>3,970,395</u>
<b>Operating expenses</b>			
Contract services	1,322,376	215,696	1,538,072
Salaries and wages	213,824	447,795	661,619
Depreciation	349,517	92,623	442,140
Employee benefits	129,514	292,604	422,118
Repairs and maintenance	181,855	93,770	275,625
Insurance	39,244	66,536	105,780
Other post-employment benefits	27,861	67,232	95,093
Consulting	77,923	-	77,923
Professional fees	27,351	18,606	45,957
Fuel	3,967	37,216	41,183
Supplies	16,221	17,393	33,614
Fees and permits	9,020	22,958	31,978
Utilities	9,656	4,365	14,021
Directors' expenses	5,808	3,084	8,892
Travel, schools, seminars	1,092	1,181	2,273
Miscellaneous	<u>-</u>	<u>10</u>	<u>10</u>
Total operating expenses	<u>2,415,229</u>	<u>1,381,069</u>	<u>3,796,298</u>
<b>Operating income (loss)</b>	<u>287,951</u>	<u>(113,854)</u>	<u>174,097</u>
<b>Nonoperating revenues (expenses)</b>			
Interest revenue	4,242	1,261	5,503
Gain on sale of asset	2,250	-	2,250
Debt service – interest	<u>(249,983)</u>	<u>-</u>	<u>(249,983)</u>
Total nonoperating revenues (expenses)	<u>(243,491)</u>	<u>1,261</u>	<u>(242,230)</u>
<b>Change in net assets</b>	44,460	(112,593)	(68,133)
<b>Net assets, beginning of year</b>	<u>1,040,186</u>	<u>649,314</u>	<u>1,689,500</u>
<b>Net assets, end of year</b>	<u>\$ 1,084,646</u>	<u>\$ 536,721</u>	<u>\$ 1,621,367</u>

The accompanying notes are an integral part of this financial statement.

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Statement of Cash Flows  
Proprietary Funds**

For the year ended June 30, 2011

	<u>Sanitation</u> <u>Enterprise Fund</u>	<u>Refuse</u> <u>Enterprise Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 2,724,402	\$ 1,269,091	\$ 3,993,493
Payments to suppliers for goods and services	(1,790,775)	(850,015)	(2,640,790)
Payments to employees	<u>(186,801)</u>	<u>(378,995)</u>	<u>(565,796)</u>
Net cash provided by operating activities	<u>746,826</u>	<u>40,081</u>	<u>786,907</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	(77,863)	-	(77,863)
Principal payments on long-term debt	(225,348)	-	(225,348)
Interest paid on long-term debt	(249,983)	-	(249,983)
Proceeds on sale of assets	<u>2,250</u>	<u>-</u>	<u>2,250</u>
Net cash used in capital and related financing activities	<u>(550,944)</u>	<u>-</u>	<u>(550,944)</u>
<b>Cash flows from investing activities</b>			
Decrease in bank overdraft	(166,768)	-	(166,768)
Advance on note receivable	(8,483)	-	(8,483)
Interest income	<u>4,695</u>	<u>1,027</u>	<u>5,722</u>
Net cash (used in) provided by investing activities	<u>(170,556)</u>	<u>1,027</u>	<u>(169,529)</u>
<b>Net increase in cash and cash equivalents</b>	25,326	41,108	66,434
<b>Cash and cash equivalents, beginning of year</b>	<u>23,915</u>	<u>450,753</u>	<u>474,668</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 49,241</u>	<u>\$ 491,861</u>	<u>\$ 541,102</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 287,951	\$ (113,854)	\$ 174,097
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities			
Depreciation	349,517	92,623	442,140
Change in assets and liabilities			
Accounts receivable	21,222	1,876	23,098
Accounts payable	61,109	(9,364)	51,745
Accrued liabilities	4	-	4
Compensated absences	(838)	1,567	729
Other post-employment benefits	<u>27,861</u>	<u>67,233</u>	<u>95,094</u>
Net cash provided by operating activities	<u>\$ 746,826</u>	<u>\$ 40,081</u>	<u>\$ 786,907</u>

The accompanying notes are an integral part of this financial statement.

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note A – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Tamalpais Community Services District (the District) is presented to assist in understanding the District's financial statements.

#### Description of the reporting entity

The Tamalpais Community Services District was formed in 1967 at which time it assumed the assets, liabilities and operations of its predecessor, the Tamalpais Valley Sanitary District. The District provides sanitation service, refuse and debris removal, park maintenance and public recreation services to its constituents. The District is governed by an elected five-member Board of Directors.

District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

#### Government-wide financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include the financial activities of the overall District government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(Continued)

TAMALPAIS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (Continued)

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the financial reporting entity are described below:

Governmental Funds

The *parks and recreation fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Funds

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds, all of which are reported as major funds:

<u>Fund</u>	<u>Brief description</u>
Sanitation Fund	Accounts for activities associated with operating and maintaining the Districts collection and treatment of wastewater. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note A – Summary of Significant Accounting Policies (Continued)

<u>Fund</u>	<u>Brief description</u>
Refuse Fund	Accounts for the provision of refuse collection services to residents of the District. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District's proprietary funds follow all GASB pronouncements and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's operating revenues include all revenues derived from sanitation and refuse services. The enterprise funds also recognize as operating revenue, the portion of tap fees, connection fees and impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Measurement focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note A – Summary of Significant Accounting Policies (Continued)

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### Basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

#### Cash, cash equivalents and investments

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and short-term investments with an original maturity of three months or less. This also includes deposits with the State of California Local Agency Investment Fund (LAIF).

Investments for the District are reported at fair value.

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note A – Summary of Significant Accounting Policies (Continued)**

Accounts receivable

District management considers all accounts receivable to be fully collectible. Accordingly, an allowance of doubtful accounts has not been recorded in these financial statements.

Capital assets

Capital assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years. The District has elected not to retroactively capitalize infrastructure capital assets acquired prior to June 30, 2003, as allowed by Government Accounting Standards Board (GASB) Statement No. 34.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the statement of net assets as a reduction in the book value of capital assets.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets.

Leasehold improvements	7-40 years
Buildings and improvements	5-50 years
Equipment	5-20 years
Vehicles	5-7 years
Collection lines and improvements	10-40 years
Pumping stations	7-15 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note A – Summary of Significant Accounting Policies (Continued)

#### Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

#### Compensated absences

Compensated absences are accrued as earned by employees, and consist of accruals for vacation and sick time. The District's liability for compensated absences is reported in the Statement of Net Assets for governmental activities in the government-wide financial statements.

#### Net assets

Equity in the government-wide statements is classified as net assets and displayed in three components as follows:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note A – Summary of Significant Accounting Policies (Continued)

#### Fund balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – includes amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority which includes the District charter, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (District charter, ordinance and resolution) it employed previously to commit those amounts.

Assigned – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Trustees, District manager or their designee as established in the District's Fund Balance Policy.

Unassigned – includes amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note A – Summary of Significant Accounting Policies (Continued)

#### Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

#### Property taxes

Property taxes are levied as of January 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Marin collects

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note A – Summary of Significant Accounting Policies (Continued)

the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and February 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the “Teeter Plan”. Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District.

#### Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### Budgetary accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. On or before the end of each fiscal year, department heads of the District submit requests for appropriations to the General Manager so that a budget may be prepared. The proposed budget is presented to the District’s Board for review. The Board of Directors holds public hearings and a final budget is approved by the Board.

The appropriated budget is prepared by fund, function and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Encumbrance accounting is not employed in governmental funds.

#### New accounting pronouncements

The District implemented Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011. This Statement did not have a material impact on the financial statements.

### Note B – Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 851,636
Total cash and investments	\$ 851,636

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note B – Cash and Investments (Continued)

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	\$	157,071
Marin County Treasurer		81,845
Investments		<u>612,720</u>
	\$	<u>851,636</u>

<u>Investment Type</u>	<u>Carrying value</u>	<u>Fair value</u>
California Local Agency Investment Fund (State Investment Pool)	<u>\$ 612,720</u>	<u>\$ 612,720</u>

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as "cash and investments". Cash balances from all participating funds are combined and invested to the extent possible, pursuant to the Board of Directors approved Investment Policy and guidelines, and the California Government Code Section 53600. The District's cash and investments are in instruments allowed by the District's Investment Policy.

The Government Code and the District's Investment Policy allow investments in the following instruments:

<u>Investment Type</u>
Local Agency Investment Fund
Certificates of Deposit
Public Funds Savings Account
Money Market Account
Checking Account

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing all shorter-term investments.

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note B – Cash and Investments (Continued)**

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>12 months or less</u>	<u>13 – 24 months</u>	<u>25-36 months</u>	<u>37 – 48 months</u>	<u>49 – 60 months</u>	<u>More than 60 months</u>
State Investment Pool	\$ <u>612,720</u>	\$ <u>612,720</u>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>				<u>As of Investment</u>
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	
State Investment Pool	\$ <u>612,720</u>	<u>N/A</u>	\$ _____	\$ _____	\$ _____	\$ _____	\$ <u>612,720</u>	<u>100%</u>

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in certain types of investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note B – Cash and Investments (Continued)

must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

#### Marin County Treasurer

Cash held by the Marin County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.co.marin.ca.us/>). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is unrated, stated at cost which approximates fair value, available upon demand and considered cash equivalents.

#### Investment in State Investment Pool

Although the District did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the District does have an investment in The California Local Agency Investment Fund (LAIF) in the amount of \$612,720. Investments in LAIF are invested in accordance with the policy of the State Treasurer for LAIF accounts (see State Treasurer's investment policy for LAIF accounts and separately issued financial reports for LAIF at <http://www.treasurer.ca.gov/pmia-laif/>). The total amount invested by all public agencies in LAIF is \$66,352,783,817 of which 5.01% is invested in medium-term and short-term structured notes and asset-backed securities. Included in LAIF's investment portfolio are United States Treasury and federal agency securities, International Bank for Reconstruction and Development federal agency floating rate debentures, bank notes, certificates of deposit, commercial paper, corporate floaters and bonds, time deposits, and California Assembly Bill 55 and State of California General Fund Loans. Participants equity in LAIF is determined by the dollar amount of the participant's deposits, adjusted for withdrawals and distributed investment income.

### Note C – Notes Receivable

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note C – Notes Receivable (Continued)

special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to Tamalpais Community Services District was \$33,660.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-2013). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

In January 2011, the District entered into a note agreement with a resident in the total amount of \$9,162. The note is receivable in monthly principal and interest payments of \$173, commencing February 10, 2011, with all remaining principal and interest due January 10, 2016. The note bears interest at 5.178% per annum and is uncollateralized.

### Note D – Interfund Transactions

Interfund transactions consist of the following:

#### Current interfund balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2011.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Parks and Recreation Fund	Community Center Fund	\$ 100,836
Refuse Enterprise Fund	Sanitation Enterprise Fund	<u>257,154</u>
Total interfund balances		<u>\$ 357,990</u>

#### Internal balances

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2011, is as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2011</u>
<b>Governmental activities</b>					
Nondepreciable capital assets					
Land	\$ 66,500	\$ -	\$ -	\$ -	\$ 66,500
Construction in progress	<u>-</u>	<u>7,274</u>	<u>-</u>	<u>-</u>	<u>7,274</u>
Total nondepreciable capital assets	<u>66,500</u>	<u>7,274</u>	<u>-</u>	<u>-</u>	<u>73,774</u>
Depreciable capital assets					
Leasehold improvements	759,338	-	-	-	759,338
Buildings and improvements	1,211,695	53,200	-	-	1,264,895
Equipment	60,030	13,077	-	-	73,107
Vehicles	<u>28,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,794</u>
Total depreciable capital assets	2,059,857	66,277	-	-	2,126,134
Less accumulated depreciation	<u>(739,786)</u>	<u>(91,794)</u>	<u>-</u>	<u>-</u>	<u>(831,580)</u>
Net depreciable capital assets	<u>1,320,071</u>	<u>(25,517)</u>	<u>-</u>	<u>-</u>	<u>1,294,554</u>
Net capital assets	<u>\$ 1,386,571</u>	<u>\$ (18,243)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,368,328</u>
<b>Business-type activities</b>					
Nondepreciable capital assets					
Land	\$ 29,853	\$ -	\$ -	\$ -	\$ 29,853
Construction in progress	<u>-</u>	<u>77,863</u>	<u>-</u>	<u>-</u>	<u>77,863</u>
Net nondepreciable capital assets	<u>29,853</u>	<u>77,863</u>	<u>-</u>	<u>-</u>	<u>107,716</u>
Depreciable capital assets					
Buildings and improvements	745,399	-	-	-	745,399
Collection lines and improvements	5,267,160	-	-	-	5,267,160
Pumping stations	2,471,772	-	-	-	2,471,772

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note E – Capital Assets (Continued)**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Business-type activities (Con'd)</b>					
Equipment	549,567	-	-	-	549,567
Vehicles	<u>1,244,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,244,768</u>
Total depreciable capital assets	10,278,666	-	-	-	10,278,666
Less accumulated depreciation	<u>(3,134,117)</u>	<u>(442,140)</u>	<u>-</u>	<u>-</u>	<u>(3,576,257)</u>
Net depreciable capital assets	<u>7,144,549</u>	<u>(442,140)</u>	<u>-</u>	<u>-</u>	<u>6,702,409</u>
Net capital assets	<u>\$ 7,174,402</u>	<u>\$ (364,277)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,810,125</u>

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental activities:

Parks and recreation	\$ 58,930
Community center	<u>32,864</u>
Total depreciation expense – Governmental activities	<u>\$ 91,794</u>

Business-type activities:

Sanitation	\$ 349,517
Refuse	<u>92,623</u>
Total depreciation expense – Business-type activities	<u>\$ 442,140</u>

**Note F – Long-Term Liabilities**

Long-term liabilities outstanding as of June 30, 2011 consist of the following:

<u>Notes payable</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amounts authorized and issued</u>	<u>Outstanding</u>	<u>Due within one year</u>
City National Bank	4.30%	December 30, 2025	\$ 3,000,000	\$ 2,410,526	\$ 122,798
City National Bank	4.10%	June 30, 2028	<u>3,000,000</u>	<u>2,689,685</u>	<u>112,123</u>
			<u>\$ 6,000,000</u>	<u>\$ 5,100,211</u>	<u>\$ 234,921</u>

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note F – Long-Term Liabilities** (Continued)

The following is a summary of long-term liability issuances and transactions during the year ended June 30, 2011:

<u>Notes payable</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
City National Bank	\$ 2,528,210	\$ -	\$ 117,684	\$ 2,410,526
City National Bank	<u>2,797,349</u>	<u>-</u>	<u>107,664</u>	<u>2,689,685</u>
	<u>\$ 5,325,559</u>	<u>-</u>	<u>\$ 225,348</u>	<u>\$ 5,100,211</u>

Notes payable – City National Bank

During November 2005, the District entered into a loan agreement with Municipal Finance Corporation for the purpose of obtaining financing for the costs of upgrading and replacing certain wastewater collection improvements to the District’s sanitation enterprise system. Municipal Finance Corporation assigned the loan to City National Bank. The note is payable in semi-annual principal and interest payments of \$112,573 and is secured by a pledge of the net revenues of the District’s sanitation enterprise fund. In addition, the District is obligated to set rates at a level such that the enterprise’s unencumbered cash net revenues will at least be equal to 115 percent of that year’s debt service on the loan. As of June 30, 2011, the District was in compliance with the covenant referenced above.

During March 2008, the District entered into a loan agreement with Municipal Finance Corporation for the purpose of obtaining financing for the costs of upgrading and replacing certain wastewater collection improvements to the District’s sanitation enterprise system. Municipal Finance Corporation assigned the loan to City National Bank. The note is payable in semi-annual principal and interest payments of \$110,631 and is secured by a pledge of the net revenues of the District’s sanitation enterprise fund. In addition, the District is obligated to set rates at a level such that the enterprise’s unencumbered cash net revenues will at least be equal to 115 percent of that year’s debt service on the loan. The District is required to submit audited financial statements within 180 days of year-end. As of June 30, 2011, the District was in compliance with the unencumbered cash net revenues covenant referenced above.

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note F – Long-Term Liabilities** (Continued)

Summary of long-term liabilities service requirements

Long-term liabilities service requirements to maturity are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 234,921	\$ 211,486	\$ 446,407
2013	244,903	201,505	446,408
2014	255,309	191,100	446,409
2015	266,156	180,252	446,408
2016	277,465	168,943	446,408
2017-2021	1,574,528	657,510	2,232,038
2022-2026	1,826,186	273,665	2,099,851
2027-2028	<u>420,743</u>	<u>21,782</u>	<u>442,525</u>
Total requirements	<u>\$ 5,100,211</u>	<u>\$ 1,906,243</u>	<u>\$ 7,006,454</u>

**Note G – Compensated Absences**

Employees accrue vacation leave based on length of service. Accumulated vacation leave is subject to maximum accruals for all employees. As of June 30, 2011, the District's accrued liability for accumulated unused vacation leave and overtime is \$92,796. Employees are paid for their accumulated unused vacation leave upon separation from service. The liability is expected to be liquidated with future resources and not with expendable available financial resources.

In addition, for all District employees hired before March 1, 2001, the District will pay one-half of accumulated sick leave upon separation from the District, not to exceed a total of six months. The District has estimated and recorded a liability for accumulated unused sick leave of \$43,161.

**Note H – Deficit Fund Balance/Net Assets**

A deficit fund balance of \$103,600 exists in the nonmajor community center fund. The deficit is due to the District incurring costs in excess of revenues. The fund deficit is expected to be offset in the future from the receipt of revenues.

**Note I – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; risk of loss to employees; and natural disasters. In order to insure for risks of loss, the District participates in a joint venture under a joint powers agreement with the Special Districts Risk Management Authority (SDRMA). The relationship between the District and the SDRMA is such that the SDRMA is not a component unit of the District for financial reporting purposes.

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note I – Risk Management (Continued)

The SDRMA arranges for and provides property, liability and worker's compensation coverage for its member districts. The Tamalpais Community Services District participates in all of the programs.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the SDRMA. The District's share of surpluses and deficits cannot be determined, although District management does not expect such amounts, if any, to be material in relation to the financial statements.

The District is covered by the following types of insurance through the SDRMA as of June 30, 2011:

<u>Coverage</u>	<u>Limits of liability</u>
General liability	\$ 5,000,000
Public officials and employees errors	5,000,000
Personal liability coverage for board members	500,000
Employment practices liability	5,000,000
Employee benefits liability	5,000,000
Employee dishonesty coverage	400,000
Auto liability	5,000,000
Uninsured/underinsured motorists	750,000
Property coverage	1,000,000,000
Boiler and machinery	100,000,000
Workers' compensation	
Statutory workers' compensation	Statutory limit
Employers' liability coverage	5,000,000

### Note J – Defined Benefit Pension Plan

#### Plan description

The District contributes to the Marin County Employees' Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Retirement serving many local government agencies. This plan covers all eligible District employees except the District general manager (see Note K). The Association provides retirement, disability, death, and survivor benefits to plan members and beneficiaries. The County Employee's Retirement Act of 1937 is the statutory basis for the Association. The Board of Retirement has the authority to establish and amend benefit provisions. The Association issues a publicly available financial report that includes financial statements and required supplementary information for the Association. A copy of the financial report may be obtained by writing to the Board of Retirement, Marin County Employees' Retirement Association, One McInnis Parkway, Suite 100, San Rafael, California, 94903.

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note J – Defined Benefit Pension Plan (Continued)

#### Funding policy and annual pension cost

Contribution rates are based on plan members' annual covered salary and are actuarially determined. As of June 30, 2011, contribution rates are as follows:

	<u>General members</u>
Employer rates	28.30%
Employee rates (average)	10.57%

All eligible District employees are classified as general plan members. The contribution requirements of plan members and the District are established and may be amended by the Board of Retirement. The District's contribution to the Association for the years ended June 30, 2011, 2010, and 2009 were \$267,169, \$287,101, and \$292,626, respectively, equal to the required contributions for each year. The District's contribution includes the employee share.

### Note K – Deferred Compensation and Defined Contribution Retirement Plans

The District contributes, on behalf of its general manager, to retirement plans administered by the International City Manager's Association Retirement Corporation (ICMA-RC), a not-for-profit retirement plan provider serving local and state government employees. ICMA-RC administers a 457 deferred compensation plans and a 401(a) defined contribution supplemental retirement savings plan for the District.

401(a) Plan – On September 14, 2005, the District established a qualified retirement program in accordance with Internal Revenue Code Section 401(a). This defined contribution 401(a) Money Purchase Retirement Plan was established with ICMA-RC. Contribution rates are based on plan members' annual covered salary and are actuarially determined. The District's contribution rate for the year ended June 30, 2011 was 28.30%. During the year ended June 30, 2011, the District's contribution to this plan was \$40,754. The District's contribution includes both the employee and employers share.

457 Plan – The District offers its general manager a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, the general manager may elect to defer a portion of his salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by the general manager until termination, death, or unforeseeable emergency. The District contributes 11.29% of the general manager's salary as deferred compensation. Total District contributions to the Plan were \$16,258, which represents the total contribution to the Plan for the fiscal year ended June 30, 2011.

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note L – Jointly Operating Agreements

The District does not own and operate a separate wastewater treatment plant facility. Pursuant to an agreement with the Sausalito-Marín City Sanitary District, the District's waste is transported through District-owned and District maintained lines for processing at the Sausalito-Marín City Sanitary District's plant. The District is obligated to pay a proportionate share of the operating costs including sewage treatment costs, disposal costs, administrative costs and capital improvements. The District records such operating costs as expenses in its sanitation enterprise. The District also has a similar agreement with the Sewerage Agency of Southern Marin.

### Note M – Other Post-Employment Benefits other than Pensions

#### Plan description

The District administers an Other Post-Employment Benefit (OPEB) Plan, a single-employer defined benefit plan. The District's OPEB Plan provides medical and dental insurance and supplemental Medicare insurance for eligible retirees and spouses through the District's group health insurance which covers both active and retired members. In order to be eligible to retire with District-paid health benefits, an employee must have completed 20 years of service with the District and have retired under Marin County Employees' Retirement Association. The activity and liability from the OPEB plan are included in these financial statements.

#### Funding policy

The District pays 100% of the cost of the OPEB plan. The District funds the plan on a pay-as-you-go basis and maintains reserves and records a liability for the difference between the pay-as-you-go and the actuarially determined annual OPEB cost.

#### Annual OPEB cost

The following table presents the components of the District's annual OPEB cost, amounts actually contributed, and changes in net OPEB obligation for the year ended June 30, 2011:

Annual required contribution	\$	165,479
Interest on net OPEB obligation		5,220
Adjustment to annual required contribution		<u>(7,684)</u>
Annual OPEB expense		163,015
Contributions made:		
Retired employees post employment medical benefit payments		<u>(32,212)</u>
Increase in net OPEB obligation		130,803
Net OPEB obligation, beginning of year		<u>131,872</u>
Net OPEB obligation, end of year	\$	<u>262,675</u>

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note M – Other Post-Employment Benefits other than Pensions (Continued)**

No trust or agency fund has been established for the plan and there were no adjustments to the annual required contribution or interest earnings.

Funded status of the plan

The most recent valuation dated July 1, 2010 includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$2,444,450. The District funds the plan on a pay-as-you-go basis and maintains reserves and records a liability for the difference between the pay-as-you-go and the actuarially determined annual cost.

Schedule of funding progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the year ended June 30, 2011 follows:

<u>Fiscal year end</u>	<u>Actuarial valuation date</u>	<u>Actuarial accrued liability (a)</u>	<u>Actuarial value of assets (b)</u>	<u>Unfunded actuarial liability (UAAL) (a) – (b)</u>	<u>Funded status (b) / (a)</u>	<u>Annual covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll [(a) – (b)] / (c)</u>
6/30/10	7/1/10	\$2,444,450	\$ -	\$2,444,450	0.0%	\$ 949,324	257.5%
6/30/11	7/1/10	2,440,450	-	2,444,450	0.0	1,004,090	243.4

Two-year trend information

The District’s annual OPEB cost, percentage of annual OPEB costs contributed, and the net OPEB obligation are as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB costs contributed</u>	<u>Net OPEB obligation</u>
6/30/10	\$ 157,829	16.5%	\$ 131,872
6/30/11	163,015	19.8	262,675

(Continued)

# TAMALPAIS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2011

### Note M – Other Post-Employment Benefits other than Pensions (Continued)

#### Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 7.9% initially, reduced by decrements to an ultimate rate of 5.5% after ten years. A level dollar amortization of the Unfunded Actuarial Accrued Liability is used over an open 30-year period.

### Note N – Contingencies

The District is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will not have a material effect on the financial condition of the District.

### Note O – Lease Commitments

The District leases office equipment under a lease agreement that expires in 2013. The following summarizes future minimum rental payments required under the operating lease.

<u>Year ending June 30,</u>	
2012	\$ 6,960
2013	<u>2,900</u>
	<u>\$ 9,860</u>

Total equipment rent expenses for the year ended June 30, 2011 was \$7,996.

The District also entered into a lease agreement on December 1, 2006 with the Tamalpais Valley Improvement Club. The term of the lease is 38 years (main term) for \$1 per year. The lease has two renewal options to extend the lease for 2 consecutive 25-year periods immediately following the main term. The District paid the entire lease obligation.

### Note P – Governing Board

The powers of the District are exercised by a Board of Directors consisting of five directors each elected for a term of four years by the qualified electors within the District.

(Continued)

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2011

**Note P – Governing Board** (Continued)

As of June 30, 2011, the members of the District’s Board of Directors were as follows:

<u>Trustee</u>	<u>Term expires</u>
Jeff Brown	December 2011
Linda Johnson	December 2011
James Jacobs	December 2013
Steffan Bartschat	December 2011
Gretchen Stagg	December 2011

**REQUIRED SUPPLEMENTAL INFORMATION**

**TAMALPAIS COMMUNITY SERVICES DISTRICT**

**Budgetary Comparison Schedule – Parks and Recreation  
Major Special Revenue Fund**

Year ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>Fund Balance, July 1</b>	\$ 534,048	\$ 534,048	\$ 534,048	\$ -
Resources (inflows):				
Property taxes	640,000	640,000	615,447	(24,553)
After school programs	26,000	26,000	43,390	17,390
Grant income	-	-	144,161	144,161
Rental income	25,000	25,000	24,445	(555)
Special events and class fees	67,000	67,000	113,485	46,485
Investment income	4,000	4,000	1,412	(2,588)
Operating grants and contributions	25,000	25,000	21,376	(3,624)
Other revenues	-	-	1,380	1,380
Amounts available for appropriations	1,321,048	1,321,048	1,499,144	178,096
Charges to appropriations (outflows):				
Parks and recreation				
Salaries and benefits	469,120	469,120	456,624	12,496
All other	342,700	342,700	322,648	20,052
Capital outlay	52,000	52,000	70,527	(18,527)
Total charges to appropriations	863,820	863,820	849,799	14,021
<b>Fund Balance, June 30</b>	\$ 457,228	\$ 457,228	\$ 649,345	\$ 192,117

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:**

Sources/inflows of resources:

Actual amounts available for appropriation from budgetary data above      \$ 1,499,144

Differences-budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes      (534,048)

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances-governmental funds      \$ 965,096