Sanitary District Number 5
of Marin County
Basic Financial Statements
June 30, 2010

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TK Terry E. Krieg, CPA
Certified Public Accountant

Independent Auditor's Report

Board of Directors
Sanitary District Number 5 of Marin County
Tiburon, California

I have audited the accompanying basic financial statements of the Sanitary District Number 5 of Marin County, California, as of and for the years ended June 30, 2010 and 2009, as listed in the Table of Contents. These financial statements are the responsibility of the Sanitary District Number 5 of Marin County's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in United States of America. Those standards require that I 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. I believe that my audits provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sanitary District Number 5 of Marin County, California, as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 2 through 8 and the Schedule of Funding Progress on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The Combining Schedule of Revenues, Expenses and Changes in Net Assets By Zone is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

As discussed in note 5G to these financial statements, the District in fiscal 2010 implemented the financial accounting and disclosure requirements of Governmental Accounting Standards Board Statement Number 45 pertaining to other post-employment benefits other than pensions.

Terry E. Krieg
Certified Public Accountant
May 9, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Sanitary District Number 5 of Marin County's annual financial report presents our discussion and analysis of the District's financial performance during the years that ended on June 30, 2010 and 2009. The financial statements are presented in a format to comply with the financial statement presentation requirements of the Governmental Accounting Standards Board with the some of the major differences being this Management Discussion and Analysis (MD&A) section.

FINANCIAL HIGHLIGHTS

- The net assets of the District's business-type activities increased by about $1.15 million in the 2010 fiscal year compared to a $498 decrease in fiscal 2009.
- Total operating expenses in fiscal 2010 increased by about $125,000 compared to fiscal 2009 (a 3.5% increase) and in fiscal 2009 they increased by $252,732, or 7.6 percent more than in fiscal 2008. Most of the 2010 cost increases were a result of increases in personnel and line cleaning costs. Most of the fiscal 2009 cost increases relate to higher depreciation, legal and consulting, and higher employee compensation costs.
- In fiscal 2010 there were no customer rate increases in the Tiburon Zone and about a 4 percent increase in rates in the Belvedere zone. This resulted in about a 3 percent overall 2010 increase in operating revenues. Operating revenues in fiscal 2009 declined about $74,000 compared to fiscal 2008.
- In fiscal 2010, the investment in the District's capital assets increased about $1,024,456. Exclusive of depreciation charges, there was a net increase of $1,275,712 in the District's capital assets in fiscal 2009 excluding depreciation deductions.
- The District cash and investment holdings at the end of fiscal 2010 increased about $884,000 compared to the end of fiscal 2009. At the end of fiscal 2009, cash and investments declined by about $1.4 million as a result of paying out over $2.1 million for capital asset improvements.
- In fiscal 2010 and 2009, the District issued no new long-term debt.
- The District in fiscal 2010 implemented the new financial reporting and disclosure requirements pertaining to Other Post-Employment Benefits (OPEB) such as retiree medical benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements including related disclosures, and required supplementary information.* The basic financial statements include one kind of statement that present both a short-term and long-term view of the District:*Proprietary* enterprise fund-type statements offer *short-* and *long-term* financial information about the activities that the District operates *like businesses*, such as the Districts wastewater collection and treatment system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides more data about the District's pension plan. Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statement

FIGURE A-1 Major Financial Statement Features

	Basic Financial Statements
Scope	Activities the District operates similar to private businesses; the wastewater collection and treatment systems
Required financial statements	Statement of net assets Statement of revenues, expenses, and changes in net assets. Statement of cash flows.
Accounting basis and measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term focus
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received

Basic Financial Statements

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets regardless of when cash is received or paid.

The basic financial statements report the Districts *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the Districts net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

  The basic financial statements of the District consist of one category:

  - *Business-type activities* – The District charges fees to help it cover the costs of certain services it provides. All of the Districts operations are accounted for in this category. *The District uses proprietary enterprise fund type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's' *combined* net assets increased by about $1,151,600 in fiscal year 2010, but net assets decreased by $498 in fiscal 2009. (See Table A-1.)

TABLE A-1 NET ASSETS OF THE DISTRICT

	Business-Type Activities		Percentage Change
	2010	2009	2009-2010
Current and other assets	$ 3,999,000	$ 3,115,200	28.4%
Capital assets	11,065,000	10,931,400	1.2%
Total assets	**15,064,000**	**14,046,600**	**7.2%**
Long-term debt	742,500	854,400	-13.1%
Other liabilities	118,800	141,100	-5.8%
Total liabilities	**861,300**	**995,500**	**-13.5%**
Net assets:			
Invested in capital assets net of related debt	10,329,500	10,085,000	2.4%
Unrestricted	3,873,200	2,966,100	30.6%
Total net assets	**$ 14,202,700**	**$ 13,051,100**	**8.8%**

The net assets of the District increased by $1,151,602 in fiscal 2010 primarily as a result of pumping stations and lines contributed to the District from the Seafirth service area ($848,174 of the total capital contributions) and $354,742 in cash connection fees mainly from the Seafirth service area. The District's net assets, before capital contributions, actually declined by about $51,314 in fiscal 2010

There was almost no change in net assets of the District during the 2009 fiscal year with the District reporting only about a $500 decrease in net assets for the fiscal year. The 2009 change in net assets was significantly less than the $583,262 increase in net assets in the 2008 fiscal year. The primary reasons for the down turn in profitability was that in fiscal 2009 operating costs increased more than $250,000 and revenues and contributions from all sources declined by about $337,000 in fiscal 2009 compared to fiscal 2008.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Changes in net assets.

Excluding capital contributions, the District's 2010 total revenues increased $145,200 mainly as a result of the rate increase in the Belvedere zone and one-time property tax allocations related to redevelopment activities in the Tiburon zone. Overall, there was about a $116,000 increase in property tax revenues with about $66,000 of that coming from redevelopment related activities. This helped offset the 70% decline in investment income as rates of return dropped significantly in fiscal 2010.

The District's total revenues (exclusive of capital contributions) decreased 6.7 percent in fiscal 2009 compared to fiscal 2008 revenues. The decline in revenues was a result mainly of lower investment income revenues, lower ERAF tax revenues and lower charges for sewer service as the District had no rate increases in fiscal 2009.

TABLE A-2 District's Revenues, Expenses and Changes In Net Assets (In Rounded Dollars)

	Years Ended June 30		Total Percentage Change
	2010	2009	2009-2010
Revenues			
Program revenues:			
Charges for services	$ 2,750,700	$ 2,669,800	3.0%
Property taxes	935,600	819,300	14.2%
Investment income	20,700	72,700	-71.5%
Total revenues	**3,707,000**	**3,561,800**	**4.1%**
Expenses			
Salaries and benefits	1,756,500	1,577,300	11.4%
Maintenance and repairs	76,000	206,200	-63.1%
Line inspections and cleaning	202,500	141,300	43.3%
Supplies	79,000	95,600	-17.4%
Insurance	52,400	39,900	31.3%
Utilities	231,000	213,800	8.1%
Contract and professional services	113,600	148,800	-23.6%
Other operating	405,400	354,500	14.4%
Interest	39,200	44,100	-11.1%
Depreciation	802,700	816,300	-1.7%
Total expenses	**3,758,300**	**3,637,800**	**3.3%**
Income (Loss) before contributions	(51,300)	(76,000)	32.5%
Capital contributions	**1,202,900**	**75,500**	**1,493.3%**
Change in net assets	1,151,600	(500)	2,304.2%
Net assets, beginning	13,051,100	13,051,600	-
Net assets, ending	**$ 14,202,700**	**$ 13,051,100**	**8.8%**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Investment revenues in fiscal 2009 continued to decline as a result of the overall economic down turn and the result of the District having less cash invested in fiscal 2009 compared to fiscal 2008. The combined impact on the District in fiscal 2009 was about a 59 percent decline in investment revenue

Table A-2 presents the cost of each of the District's largest functions from an expense perspective – operating expenses, and depreciation on capital assets.

Total district expenses in fiscal 2010 increased by about $120,500 compared to fiscal 2009. A large part of this increase, about $67,000, resulted from the District implementing the new GASB accounting standard pertaining to other post-employment benefit programs (OPEB). The District's actuarially determined annual required contribution (ARC) to the Plan was $96,000, and the District funded the entire amount in fiscal 2010. The full funding of the ARC is why the District reported a zero net other post employment benefit liability at the end of fiscal 2010.

There was in fiscal 2009 about a $250,000 increase in total expenses compared to fiscal 2008 total expenses which represents about a 7.3 percent increase compared to fiscal 2008 expenses. The main reasons for the cost increases were legal costs related to the Paradise Cove area, higher employee compensation arising from benefit cost increases and staffing arrangements, and higher depreciation charges.

The District paid for these costs by using all of the direct charges collected from its customers, other operating revenues, property taxes, and investment income.

For fiscal 2010, the District's cash flows were positive with the District ending 2010 with about $884,500 more in cash and investment than at the end of fiscal 2009.

The District's total fiscal 2009 revenues were just about equal in amount to the District's total expenses in fiscal 2009 when capital contributions are included. However, on a cash flow basis, there was a net $1,407,000 decrease in the District's cash and investment holdings at the end of fiscal 2009 compared to almost no change in holdings for the 2008 fiscal year.

The District's cash and investment holdings at the end of 2009 declined primarily because of spending on capital projects including payments on costs payable at the end of fiscal 2008 and the capital costs incurred in fiscal 2009. The majority of the capital payments related to the Digester Cover rehabilitation and the Paradise Cove treatment plant and line acquisition costs that were paid for in fiscal 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010, there was a modest net increase of about $134,000 in total capital assets or about a 1.2 percent increase over fiscal 2009. The net change in capital assets was a combination of about $936,000 for asset additions and about an $832,000 decrease for additions to accumulated depreciation in fiscal 2010.

At the end of fiscal 2009, the District's investment in capital assets increased by about $1.3 million excluding the impact of reductions for depreciation charges in fiscal 2009. Even with depreciation charges factored in, there was an overall 9.1 percent increase in the District's net capital assets at the end of 2009 compared to the end of fiscal 2008.

TABLE A-3 District Investment in Capital Assets, Net of Accumulated Depreciation (In Rounded Dollars)

	Business-Type Activities		Total Percentage Change
	2010	2009	2009-2010
Land and construction in progress	$ 49,300	$ 49,300	0.0%
Mechanical, electrical, main and paradise cove plants	5,916,900	6,376,100	-7.2%
Pipelines	3,471,700	3,224,000	7.7%
Treatment and collection	656,800	700,000	-6.1%
Equipment, pumps and other	970,300	582,,000	66.7%
Total	$ 11,065,000	$ 10,931,400	1.2 %

Major capital asset activity in fiscal 2010 included:

- The contribution to the District of pump stations and lines related to the Seafirth service area and valued at $513,180 and $334,994, respectively
- About $88,100 in other improvements to District lines and other facilities.

The major capital assets activity in fiscal 2009 included:

- Closing out construction in progress relating to the new Paradise Cove package treatment plant and the Digester rehabilitation project Adding about $557,738 in costs for the Digester improvement project.

- Reporting about $709,716 in additional costs in fiscal 2009 for work related to completion of the Paradise Cove treatment plant and the purchase of the Paradise Drive sewer line extension for about $225,000.Spending at least $105,127 for the rehabilitation of sewer lines in fiscal 2009

- . More information about capital assets can be found starting on page 16 of the notes to the financial statements

Long-Term Debt

There was no new long-term debt issued by the District in fiscal 2010 or 2009. More information about long-term debt can be found starting on page 18 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

Several major changes in the District's financial capabilities and operations are anticipated in the future.

The State may again be facing fiscal funding issues inl 2011 that may ultimately impact the District. The District, however, does not expect that these State funding issues will have a severe financial impact on the District.

In the capital area, the District has determined that it is in need of significant capital projects and programs. These deal primarily with the aging infrastructure of the District which is now reaching the end of its useful life due to improvement needs in the District collection system. The District's comprehensive evaluation of the collection and treatment system including the main plant have identified a need to make major upgrades and improvements expected to cost more than $10 million. The District will be evaluating a number of potential long-term financing arrangements in order to be able to provide the funding for these necessary plant upgrades and improvements.

Two additional initiatives may have an affect upon the operations of the District. The first deals with the expansion of the Paradise Treatment Plant that would allow a 100 percent increase in the connections in that area long term as the plant has been replaced by a new treatment facility.

The second initiative deals with the annexation of the pumping stations and collection pipelines within the City of Belvedere to Sanitary District No. 5. This annexation took place, effective July 1, 2005. This change brings all City wastewater operations under the responsibility of the Sanitary District Board of Directors. As a result of all of these financial and operational changes and identified needs, the Board authorized an evaluation of District rates and charges.

This evaluation resulted in the need for significant modifications in the sewer service charges of the District for both billing zones. For the 2011 fiscal year, the District has approved a rate increase of about 23 percent for customers in the Belvedere operation zone and about a 25 percent rate increase for customers in the Tiburon operations zone. Additional rate increases have been planned for both the Belvedere and Tiburon Zones through fiscal year 2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, 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 questions about this report or need additional financial information, contact the General Manager, Sanitary District Number 5 of Marin County, 2001 Paradise Drive, Tiburon, California, 94920.

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Statement of Net Assets
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,480,281	$ 2,068,130
Receivables from other governments	10,743	11,167
Receivables , other	1,000	420
Interest receivable	5,327	10,977
Prepayments	22,122	16,381
Total current assets	1,519,473	2,107,075
Noncurrent assets:		
Designated cash and cash equivalents	2,472,513	1,000,145
Debt issuance costs	7,000	8,000
Total designated cash and debt issuance costs	2,479,513	1,008,145
Capital assets:		
Capital assets not being depreciated :		
Land	49,295	49,295
Total capital assets not being depreciated	49,295	49,295
Capital assets being depreciated:		
Mechanical, electrical and main plant	12,862,101	12,844,261
Paradise Cove plant	1,906,604	1,906,604
Pipelines including subsurface and other	9,375,284	9,011,971
Treatment and collection system	1,641,297	1,636,402
Odor control and pumps	2,691,515	2,170,917
Plant equipment	181,466	181,466
Vehicles and other equipment	244,797	231,200
Less accumulated depreciation	(17,887,390)	(17,100,728)
Total capital assets being depreciated	11,015,674	10,882,093
Total capital assets	11,064,969	10,931,388
Total noncurrent assets	13,544,482	11,939,533
Total assets	$ 15,063,955	$ 14,046,608
LIABILITIES		
Current liabilities:		
Accounts payable	$ 74,960	$ 96,965
Compensated absences	33,827	34,153
Loan due within one year	115,000	112,000
Total current liabilities	223,787	243,118
Noncurrent liabilities:		
Compensated absences	10,000	10,000
Loan due in more than one year	627,466	742,390
Total liabilities	861,253	995,508
NET ASSETS		
Invested in capital assets, net of related debt	10,329,503	10,084,998
Unrestricted	3,873,199	2,966,102
Total net assets	$ 14,202,702	$ 13,051,100

See accompanying notes to the basic financial statements

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Statement of Revenues, Expenses, and Changes in Net Assets
For The Fiscal Years Ended June 30, 2010 and 2009

	Fiscal Years Ending June 30	
	2010	2009
OPERATING REVENUES		
Sewer service fees	$ 2,667,718	$ 2,603,033
Maintenance agreements	51,022	38,573
Other operating revenues	31,959	28,186
Total operating revenues	2,750,699	2,669,792
OPERATING EXPENSES		
Salaries and benefits	1,756,467	1,577,278
Maintenance and repairs	75,944	206,204
Line cleaning and inspection	202,473	141,260
Supplies (chemicals)	79,126	95,593
Liability and property insurance	52,365	39,889
Utilities	230,967	213,844
Contract and professional services	113,577	148,839
Other operating	405,389	354,405
Depreciation	802,734	816,331
Total operating expenses	3,719,042	3,593,643
Operating loss	(968,343)	(923,851)
NON-OPERATING REVENUES(EXPENSES)		
Property taxes	935,556	819,298
Interest expense	(39,200)	(44,123)
Investment income	20,673	72,673
Net non-operating revenues (expenses)	917,029	847,848
Change in net assets before capital contributions and special items	(51,314)	(76,003)
Capital contributions		
Capital contributions	1,202,916	75,505
Total contributions	1,202,916	75,505
Change in net assets	1,151,602	(498)
Total net assets, beginning	13,051,100	13,051,598
Total net assets, ending	$ 14,202,702	$ 13,051,100

See accompanying notes to the basic financial statements

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Statement of Cash Flows
For The Fiscal Years Ending June 30, 2010 and 2009

	Fiscal Years Ending June 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 2,667,718	$ 2,603,033
Other operating receipts	82,825	63,740
Payments to suppliers for goods and services	(1,187,587)	(1,165,611)
Payments to employees for services and benefits	(1,756,793)	(1,583,716)
Net cash used for operating activities	(193,837)	(82,554)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	935,556	819,298
Net cash provided by noncapital financing activities	935,556	819,298
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on long-term debt	(39,124)	(44,123)
Payments to retire long-term debt	(112,000)	(109,000)
Capital contributions	354,742	75,505
Purchases of capital assets	(87,141)	(2,163,997)
Net cash used for capital and related financing activities	116,477	(2,241,615)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest receipts	26,323	97,876
Net cash provided by investing activities	26,323	97,876
Net increase (decrease) in cash and cash equivalents	884,519	(1,406,995)
Balances-beginning of the year	3,068,275	4,475,270
Balances-end of the year	$ 3,952,794	$ 3,068,275
Reconciliation of operating loss to net cash used for operating activities:		
Operating income (loss)	$ (968,343)	$ (923,851)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation expense and amortization	802,734	816,331
Change in assets and liabilities:		
Decrease (increase) in due from other governments	424	(3,147)
Decrease (increase) in other receivables	(580)	128
Decrease (increase) in prepayments	(5,741)	6,356
Increase (decrease) in accounts payable	(22,005)	28,067
Increase (decrease) in compensated absences	(326)	(6,438)
Net cash used for operating activities	$ (193,837)	$ (82,554)

Noncash capital financing activities:
During the 2010 fiscal year, the District recognized $848,174 in noncash capital contributions of pipelines and pumping facilities.

See accompanying notes to the basic financial statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Sanitary District Number 5 of Marin County was reorganized March 17, 1947 as a special district under Provisions of the Sanitary District Act of 1923, and it is governed by five elected Directors. The District's service area includes a portion of the Town of Tiburon and Belvedere, California. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District has no component units.

B. Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. Property taxes, service fees, revenue from maintenance agreements 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.

The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and these notes to the basic financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund-type financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary enterprise 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 principal operating revenues of the District are charges to the customers for sales and services. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District's investment policy has been to invest idle cash in demand deposits and the Marin County Treasurer's Investment Pool and the Local Agency Investment Fund of the State of California (LAIF). Investments are reported at fair value. The County Pool and LAIF are operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the County Pool and the LAIF are the same as the fair value of the County Pool shares and LAIF deposits.

2. Receivables, Property Taxes and Sewer Service Revenues

Property taxes are levied as of March 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 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 March 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 and accrues as receivable such taxes. Accordingly, the District provides for no allowance for doubtful accounts.

Sewer service fees (used to supplement tax revenues) are set by the District based upon rates applied to the number of equivalent dwelling units (EDUs) for nonvacant properties and adjusted flows applicable to commercial properties. The sewer service fees are incorporated into the property tax billings, and such fees are due in two equal installments on December 10 and April 10 following the assessment date. The District recognizes these fees as revenues in the year earned, which is also the year in which the service is provided to properties within the District. Under an arrangement with the County known as the Teeter Plan, the County advances substantially all of the sewer fees to the District each year, and the County bears the burden of any uncollectible accounts. Therefore, the District does not provide for an allowance for uncollectible accounts or bad debts.

3. Inventories and Prepaid Items

All inventories are valued at cost based upon physical determinations made at the end of each year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

4. Designated Cash Equivalents and Investments

Cash equivalents and investments restricted for use in only capital projects are reported as noncurrent assets. The District follows the practice of reporting in this category the funds ,which by Resolution of the Board of Directors, can only be used for the purpose of financing the design, construction , replacement and improvement of related District facilities.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing wastewater system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed net of construction period interest revenues earned during such periods.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Treatment plant	15-40
Subsurface lines	50
Equipment and vehicles	5-15

6. Compensated Absences, Sick Leave, Claims and Other Post-Employment Benefits

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and is reported as compensated absences. The District does not provide for payment of unused sick leave at termination dates, it does allow for the conversion to service credit through the Public Employees retirement System.

The District obtains insurance coverage for property and equipment, fidelity bonds, automobile liability and general liability, and workers compensation insurance through its membership in the California Sanitation Risk Management Authority. The risk of loss is transferred from the District to the Authority in exchange for the District's payment of annual premiums. Incurred and unbilled claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance.

The District has agreed to pay for certain medical insurance premiums for retiring employees with at least five years of District service. Such insurance programs are administered as part of the Public Employees Retirement System (PERS). The District obtains actuarial valuations of its retiree medical insurance plan in order to determine estimated annual required contributions (ARC) to the Plan. Differences, if any, between the Plan ARC and actual contributions are reported as other net postemployment benefit liabilities or assets.

7. Long-term Obligations

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets

8. *Net Assets*

In the financial statements, fund net assets are reported in two categories as follows:

- Invested in capital assets, net of related debt - This category of net assets reports the net book value of capital assets used in District operations including construction in progress all net of related accumulated depreciation, and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets.
- Unrestricted - Unrestricted net assets represented all other assets net of related liabilities available for use by the District.

2. Detailed Notes

A. Cash Equivalents and Investments

Cash equivalents and Investments consisted of the following at June 30:

	2010	2009
Demand deposits	$ 57,498	$ 143,487
Local Agency Investment Fund (LAIF)	3,854,447	2,908,323
Marin County Treasurer's Investment Pool	40,849	16,465
Total cash equivalents and investments	$ 3,952,794	$ 3,068,275

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is that they will be made in institutions in California, they will be insured or collateralized in accordance with section 53562 of the California Government Code. At June 30, 2010, $93,423 of the District's bank balances of $343,423 were exposed to credit risk with the $93,423 being collateralized with the collateral held by the pledging bank's agent. At June 30, 2009, $62,166 of the District's bank balances of $312,166 were exposed to custodial credit risk with the $62,166 being collateralized with the collateral held by the pledging bank's agent. *Custodial Credit Risk - Investments.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were invested in specific securities. All monies in the Marin County Treasurer's Investment Pool and the Local Agency Investment Fund (LAIF) are not evidenced by specific securities; and therefore are not subject to custodial credit risk. *Credit Risk- Investments.* State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the District's policy to comply with those requirements. The Marin County Treasurer's Investment Pool and LAIF are unrated.

The District's designated cash equivalents and investments consisted of the following:

	2010	2009
Capital replacement account	$ 2,343,755	$ 862,405
Capital connection fee accounts	128,758	137,740
Total designated cash and investments	$ 2,472,513	$ 1,000,145

2. Detailed Notes (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases and Reclassifications	Decreases and Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 49,295	$ -	$ -	$ 49,295
Construction in progress	-	88,138	(88,138)	-
Total capital assets, not being depreciated	49,295	88,138	(88,138)	49,295
Capital assets, being depreciated:				
Mechanical, electrical and main plant	12,844,261	17,840	-	12,862,101
Paradise Cove plant	1,906,604	-	-	1,906,604
Pipelines including subsurface	9,011,971	363,313	-	9,375,284
Treatment and collection system	1,636,402	20,967	(16,072)	1,641,297
Odor control and pumps	2,170,917	520,598	-	2,691,515
Plant equipment	181,466	-	-	181,466
Vehicles and other equipment	231,200	13,597	-	244,797
Total capital assets, being depreciated	27,982,821	936,315	(16,072)	28,903,064
Less accumulated depreciation for:				
Mechanical, electric and main plant	(8,305,568)	(429,939)	(40,620)	(8,776,127)
Paradise Cove plant	(69,306)	(47,035)	-	(116,341)
Pipelines including subsurface	(5,787,586)	(116,044)	(28,088)	(5,931,718)
Treatment and collection system	(936,350)	(64,160)	16,072	(984,438)
Odor control and pumps	(1,703,035)	(113,705)	68,703	(1,748,037)
Plant equipment	(109,757)	(16,606)	(5,426)	(131,789)
Vehicles and other equipment	(189,126)	(15,245)	5,431	(198,940)
Total accumulated depreciation	(17,100,728)	(802,734)	16,072	(17,887,390)
Total capital assets, being depreciated, net	10,882,093	133,581	-	11,015,674
Business-type activities capital assets, net	$ 10,931,388	$ 221,719	$ (88,138)	$ 11,064,969

2. Detailed Notes Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases and Reclassifications	Decreases and Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 49,295	$ -	$ -	$ 49,295
Construction in progress	1,252,795	1,289,041	(2,541,836)	-
Total capital assets, not being depreciated	1,302,090	1,289,041	(2,541,836)	49,295
Capital assets, being depreciated:				
Mechanical, electrical and main plant	12,096,903	1,211,136	(463,778)	12,844,261
Paradise Cove Plant	-	2,059,845	(153,241)	1,906,604
Pipelines including subsurface	8,449,852	1,019,819	(457,700)	9,011,971
Treatment and collection	1,617,083	19,319	-	1,636,402
Odor control and pumps	2,798,339	47,596	(675,018)	2,170,917
Plant equipment	213,585	-	(32,119)	181,466
Vehicles and other equipment	278,552	32,815	(80,167)	231,200
Total capital assets, being depreciated	25,454,314	4,390,530	(1,862,023)	27,982,821
Less accumulated depreciation for:				
Mechanical, electric and main plant	(8,269,702)	(411,818)	306,646	(8,374,874)
Pipelines including subsurface	(5,564,063)	(235,091)	11,568	(5,787,586)
Treatment and collection system	(875,465)	(60,885)	-	(936,350)
Odor control and pumps	(1.720,301)	(215,288)	232,554	(1.703,035)
Plant equipment	(107,303)	(21,630)	19,176	(109,757)
Vehicles and other equipment	(198,914)	(27,081)	36,869	(189,126)
Total accumulated depreciation	(16,735,748)	(971,793)	606,813	(17,100,728)
Total capital assets, being depreciated, net	8,718,566	3,418,737	(1,255,210)	10,882,093
Business-type activities capital assets, net	$ 10,020,656	$ 4,707,778	$ (3,797,046)	$ 10,931,388

Construction in progress relates primarily to the design work on the Paradise Cove treatment plant works.

2. Detailed Notes Continued)

C. Long-Term Debt

Refunding Loan:

On December 4, 2006, the District entered into a refunding loan agreement with the Municipal Finance Corporation in an original amount of $1,172,429 to advance refund and retire the City of Belvedere's 1996 Certificates of Participation(the liability for which was assumed by the District as part of an annexation agreement). The refunding loan agreement has an interest rate of 4.58 percent.

The loan is payable in semi-annual installments of principal and interest each July 1 commencing July 1, 2007 and each January 1 as to interest only through July 1, 2016. The District has pledged the net revenues of its system as security for repayment of the loan, has pledged to set gross revenues at amounts sufficient to cover all obligations of the system including the loan and has pledged to generate net revenues, which together with unencumbered cash, are at least equally to 110 percent of the loan payments payable with respect to such fiscal year.

Total interest and principal remaining to be paid is $864,046. Annual principal and interest payments on this obligation are expected to require less than 34 percent of net revenues of the Belvedere zone as defined. Principal and interest paid in the 2010 fiscal year and total zone system net revenues as defined were $151,123 and $459,893 respectively.

Future debt service on the loan is:

Fiscal Year	Principal	Interest	Total
2011	$ 115,000	$ 34,002	$ 149,002
2012	119,000	28,736	147,736
2013	123,000	23,286	146,286
2014	126,000	17,652	143,652
2015	128,000	11,882	139,882
2016	131,466	6,020	137,486
Totals	$ 742,466	$ 121,580	$ 864,046

Changes in long-term obligations for the two fiscal years were as follows:

	Beginning of Year	Additions	Deletions	End of Year	Due in One Year
Year ended June 30, 2010:					
Refunding loan	$ 854,390	$ -	$ 111,924	$ 742,466	$115,000
Compensated absences	44,153	43,827	44,153	43,827	33,827
Totals	$898,543	$ 43,827	$ 156,077	$ 786,293	$148,827
Year ended June 30, 2009:					
Refunding loan	$ 963,390	$ -	$ 109,000	$ 854,390	$112,000
Compensated absences	50,591	44,153	50,591	44,153	34,153
Totals	$1,013,981	$ 44,153	$ 159,591	$ 898,543	$146,153

3. Other Information

A. Maintenance Agreements

The District has an agreement with the Sewerage Agency of Southern Marin (SASM) for operations and maintenance of the agencies joint outfall and the dechlorination responsibilities for SASM.

B. Risk Management

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the California Sanitation Risk Management Authority. Each member agency is assessed a premium based on ratable exposure. At the end of each year, the premiums are retrospectively rated based on exposure and actual loss histories of the individual member agencies. If member losses exceed member premiums, surcharges are assessed to compensate for this situation, and if member losses are less than premiums then premiums are adjusted or refunded to members.

The risk of loss is transferred from the District to the Authority under the arrangement. The Authority provides coverage for the first $750,000 in general liability and auto claims with the District being responsible for the first $10,000. The Authority provides coverage for the next $15 million in claims by purchasing commercial insurance coverages. The Authority provided $22,452,248 in insurance coverage for the District's buildings and plant in fiscal 2009. Flood insurance is also provided with a $2 million coverage limit which limit is shared with other member agencies and has a $500,000 deductible in zones A and V and a $100,000 deductible in other zones. Workers compensation insurance is also obtained through the District's membership in the Authority. The District paid no material uninsured losses during the last three fiscal years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The District had no significant uninsured claim liabilities at June 30, 2010 and 2009.

C. Contingencies and Commitments

Litigation. In the opinion of the District's general counsel, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements other than the matter referred to above.

3. Other Information (Continued)

D. Retirement System

Plan Description. The District contributes to the California Public Employees Retirement System (PERS) a cost sharing multiple-employer public employee defined benefit pension plan administered by the PERS. The PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District Ordinances. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

Funding Policy and Annual Pension Cost. Plan members are required to contribute 8.6 % of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 26.254 % of covered payroll. The contribution requirements of plan members and the District are established by resolutions and contracts of the District and may be amended by the PERS. The contributions to the PERS by the District for the last three fiscal years were as follow:

Three -Year Trend Information

Plan	Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
Regular employees	6/30/08	$ 257,748	100%	$ -
	6/30/09	$ 268,010	100%	$ -
	6/30/10	$ 289,018	100%	$ -

E. Post Employment Benefits OtherThan Pensions

Plan Description. The District administers the District's retired employees health care plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired employees and their beneficiaries. The District's plan is affiliated with the State of California PERS in so far as the District's health insurance premiums are paid to the PERS. The PERS through an aggregation of single employer plans pools administrative functions in regard to purchases of commercial health care policies and coverages. District regulations and resolutions assign authority to establish and amend plan provisions to the District.

Funding Policy. The contribution requirements of the Plan members and the District are established and may be amended by the District. The required contribution is based on a projected pay-as-you go financing requirement, with additional amounts to prefund the benefits determined annually by the District's Board of Directors. For the fiscal year ended June 30, 2010, the District contributed $28,355 for current year premiums (100% of total premiums) and $67,645 to prefund benefits. Plan members receiving benefits contributed no amounts of the total premiums.

Annual OPEB Costs and Net OPEB Obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level amount of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed 30 years.

3. Other Information (Continued)

D. Post Employment Benefits Other Than Pensions (Continued)

The following table shows components of the District's annual OPEB cost for the year, the amounts actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution (ARC)	$ 96,000
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB expense	96,000
Contributions made	(96,000)
Change in net OPEB obligation	-
Net OPEB Obligation, beginning of year	-
Net OPEB Obligation, end of year	$ -

Funding Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $955,000, and the actuarial value of plan assets was zero, resulting in the unfunded actuarial accrued liability (UAAL) of $955,000. The covered payroll of active employees covered by the Plan was $972,742 and the ratio of the UAAL to the covered payroll was 98.2 percent.

Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and 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, presented as required supplemental information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 the Plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 7.75 percent investment rate of return which is blended rate of expected long-term investment returns on plan assets and the employer's own investments calculated based upon the funded level of the plan at the valuation date, and on the annual health care cost trend of 9 percent decreasing to 5 percent in 2021. There were no plan assets to value at the latest valuation date. The UAAL is being amortized as a level percentage of payroll over 30 years, the remaining amortization period at June 30, 2010.

3. Other Information (Continued)

E. Post Employment Benefits Other Than Pensions (Continued)

In fiscal 2009, the District provided retirement health insurance benefits per the requirements of a local resolution for certain retirees. The District pays health insurance premiums for retirees with at least five years of District service and 55 years of age. For the fiscal year ended June 30, 2009, three retired employees were receiving such benefits and the District paid $24,770 in premiums. The District funded those costs on a pay as you go basis. All annual required contributions (ARC) were paid during the year and the District has no net benefit obligation at year end. For the fiscal year ended June 30, 2009, the District paid $31,262 under a severance agreement to one employee in connection with employee's resignation from employment with the District.

F. Segment Information

The District has entered into a separate refunding loan to finance the retirement of long-term debt for the Belvedere zone of operations. The District's zones are accounted for in a single fund, but lenders of loans rely solely on the revenues generated by the individual activity by zone for repayment.

Summary information for the Tiburon/Paradise Cove zone and the Belvedere zone is as follows:

	Tiburon/Paradise Cove Zone	Belvedere Zone
Operating revenues (Belvedere pledged)	$1,338,307	$1,412,392
Depreciation expense	(743,242)	(59,462)
Other operating expenses	(1,930,293)	(986,045)
Operating income (loss)	(1,335,228)	366,885
Non-operating revenues(expenses)		
Property taxes	935,556	-
Investment income	15,580	5,093
Interest expense	-	(39,200)
Capital contributions	1,191,497	11,419
Change in net assets	807,405	344,197

G. Change in Accounting Principle

As required by Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions, the District in fiscal 2010, implemented the provisions that require reporting financial information about retiree medical benefit plans, the employer's annual required contribution, contributions made and other information. Implementation of this reporting standard had no effect on the beginning net assets of the District because the District reported a zero net other post employment benefit obligation at the beginning of the 2010 fiscal year. The reporting standard did result in the District reporting an annual OPEB expense of $96,000 in its 2010 financial statements.

3. Other Information (Continued)

H. Proposition 1A Receivable

Under Proposition 1A and as part of the 2009-2010 State budget package passed by the California Legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenues, including those property taxes associated with in lieu motor vehicle license fees, the triple flip sales tax, and supplemental property taxes apportioned to cities, counties, and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of the initial borrowing, the California Legislature may consider only one additional borrowing within a ten year period. The amount of the borrowing pertaining to the District was $44,856.

Authorized with the 2009-2010 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority, a joint powers authority sponsored by the California Association of Counties and League of California Cities to enable local governments to sell their Proposition 1A receivables to the Authority. Under the program, the Authority simultaneously purchases the Proposition 1A receivables and issues bonds (Prop 1A bonds) to provide local agencies with cash in two equal installments on January 15, 2010 and May 2, 2010. The purchase price paid to local agencies equaled 100% of the amount of the property tax allocation reduction. All transaction costs of issuance and interest were paid by the State of California. Participating agencies have no obligation on the bonds and no credit exposure to the State. The District participated in the program and accordingly, property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and as a result, no gain or loss was reported.

I. Employee Early Terminations

During fiscal 2010, the District established an early-exit program for employees of the District desiring to voluntarily end their employment with the District. As a result, one employee of the District participated in the program and was paid a $35,000 early exit payment.

Required Supplementary Information
Sanitary District Number 5 of Marin County
Other Post Employment Benefits (OPEB)
Schedule of Funding Progress
June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	$ -	$ 955,000	$ 955,000	0.00%	$ 972,472	98.20%

SANITARY DISTRICT NUMBER 5 OF MARIN COUNTY
Supplementary Financial Information
Combining Schedule of Revenues, Expenses, and Changes in Net Assets By Zone
For The Fiscal Year Ended June 30, 2010

	Financial Zones				
	Paradise Cove	Tiburon	Tiburon/Paradise Cove Zones Combined	Belvedere	District Total
OPERATING REVENUES					
Sewer service fees	$ 57,826	$ 1,224,748	$ 1,282,574	$ 1,385,144	$2,667,718
Other operating revenues	3,137	52,596	55,733	27,248	82,981
Total operating revenues	60,963	1,277,344	1,338,307	1,412,392	2,750,699
OPERATING EXPENSES					
Salaries and benefits	24,209	1,148,191	1,172,400	584,067	1,756,467
Maintenance and repairs	-	54,266	54,266	21,678	75,944
Line cleaning and inspection	61	104,240	104,301	98,172	202,473
Supplies	-	52,456	52,456	26,670	79,126
Liability and property insurance	536	27,440	27,976	24,389	52,365
Utilities	13,778	143,664	157,442	73,525	230,967
Contract and professional services	10,633	68,364	78,997	34,580	113,577
Other operating	38,478	243,947	282,425	122,964	405,389
Depreciation	-	743,272	743,272	59,462	802,734
Total operating expenses	87,695	2,585,840	2,673,535	1,045,507	3,719,042
Operating loss	(26,732)	(1,308,496)	(1,335,228)	366,885	(968,343)
NON-OPERATING REVENUES(EXPENSES)					
Property taxes	35,551	900,005	935,556	-	935,556
Interest expense	-	-	-	(39,200)	(39,200)
Investment income	7	15,573	15,580	5,093	20,673
Net non-operating revenues (expenses)	35,558	915,578	951,136	(34,107)	917,029
Change in net assets before capital contributions and special items	8,826	(392,918)	(384,092)	332,778	(51,314)
Capital contributions					
Capital contributions	307,571	883,926	1,191,497	11,419	1,202,916
Total contributions	307,571	883,926	1,191,497	11,419	1,202,916
Change in net assets	316,397	491,008	807,405	344,197	1,151,602