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12/27/2024

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. ****Report/Letter date is TENTATIVE-TBD****

**MUIR BEACH COMMUNITY
SERVICES DISTRICT**

MUIR BEACH, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Muir Beach Community Services District
Muir Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Muir Beach Community Services District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Muir Beach Community Services District's basic financial statements as listed in the table of contents.

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, and each major fund of Muir Beach Community Services District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Muir Beach Community Services District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Muir Beach Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Muir Beach Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Muir Beach Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and page 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

O'Connor & Company

Novato, California

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

This section of Muir Beach Community Services District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2024. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

The required financial statements include the Government-wide and Fund Financial statements; Statement of Net Position and Governmental Funds Balance Sheet; Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance; and the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The basic financial statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on a full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on a full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the District's activities are grouped into Government Activities and Business-type activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide Financial Statements and focus primarily on the short-term activities of the District's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities - The District's basic services are governmental activities. These services are supported by specific program revenues, state and federal grants, and general revenues from taxes and use of money.

Business-type Activities - The District's enterprise water activities are reported in this area. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2024

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by Governmental Accounting Standards Board (GASB) Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of the District for the year and may change from year to year as a result of changes in the pattern of the District's activities.

In the District's case, there are two Major Funds – the General Fund and the Water Fund.

Governmental Fund Financial Statements are prepared on a modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Proprietary Funds Financial Statements are prepared on a full accrual basis, as in the past, and include all of their assets and liabilities, current and long-term.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Analyses of Major Funds

Governmental Funds:

General Fund revenue increased \$645,915 this fiscal year, due primarily to the new Prop 68 parking project grant and charges for service.

General Fund expenditures were \$534,758, an increase of \$205,673 from the prior year. This was due Measure A and Prop 68 parking projects expenditures.

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities	
	2024	2023
Current and other assets	\$ 948,644	\$ 451,873
Capital assets	2,122,567	1,971,879
Total assets	3,071,211	2,423,752
Current liabilities	3,981	32,480
Total liabilities	3,981	32,480
Net position:		
Net investment in capital assets	2,122,567	1,971,879
Unrestricted	944,663	419,393
Total net position	\$ 3,067,230	\$ 2,391,272

The District's governmental net position amounted to \$3,067,230 as of June 30, 2024, an increase of \$675,958 from 2023. This increase is the Change in Net Position reflected in the Governmental Activities column of the Statement of Activities shown in Table 2.

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2024

The District's total net position as of June 30, 2024 comprised the following:

- Cash and investments of \$1,181,600. Accounts receivable of \$3,539.
- Capital assets of \$2,961,904, net of depreciation charges, which includes all the District's capital assets used in governmental and business-type activities.
- Accounts payable and other current liabilities of \$3,981.
- Net investment in capital assets of \$2,961,904, representing the District's investment in capital assets used in Governmental and Business type Activities, net of amounts borrowed to finance that investment.
- Restricted net position of \$410,497 that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter.
- An unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District had \$770,661 of unrestricted net position as of June 30, 2024.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	Governmental Activities	
	2024	2023
<u>Expenses</u>		
General government	\$ 100,064	\$ 98,595
Recreation	31,188	24,604
Public Safety	77,318	59,966
Roads	175,500	174,162
Interest on long term debt	-	3,624
Total expenses	<u>384,070</u>	<u>360,951</u>
<u>Revenues</u>		
Program revenues:		
Grants and contributions	604,752	11,000
Charges for services	33,800	11,375
Total program revenues	<u>638,552</u>	<u>22,375</u>
General revenues:		
Property taxes	291,371	280,151
Measure A, C, and W	127,731	111,547
Interest income	174	40
Other income	2,200	-
Total general revenues	<u>421,476</u>	<u>391,738</u>
Total revenue	<u>1,060,028</u>	<u>414,113</u>
Change in net position	<u>\$ 675,958</u>	<u>\$ 53,162</u>

As Table 2 above shows, \$638,552, or 60% of the District's fiscal year 2024 governmental revenue, came from program revenues and \$421,476, or 40%, came from general revenues such as taxes and interest.

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2024

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Business-type Activities

The Statement of Net Position and Statement of Activities present a summary of the District's Business-type Activities that are composed of the District's enterprise funds.

Table 3
Business-type Net Position at June 30

	Business-type 2024	Business-type 2023
Current assets	\$ 236,495	\$ 169,899
Capital assets	839,337	873,070
Total assets	1,075,832	1,042,969
Current liabilities	-	8,440
Long-term liabilities	-	-
Total liabilities	-	8,440
Net position:		
Net investment in capital assets	839,337	873,070
Restricted for capital improvement	410,497	331,553
Unrestricted (Deficit)	(174,002)	(153,214)
Total net position	\$ 1,075,832	\$ 1,051,409

The net position of business-type activities increased by \$24,423 in fiscal year 2024.

Table 4
Changes in Business-Type Net Position

	Business-Type Activities 2024	Business-Type Activities 2023
<u>Expenses</u>		
Water	\$ 161,401	\$ 164,315
Total expenses	161,401	164,315
<u>Revenues</u>		
Program revenues:		
Charges for services	185,824	183,259
Total program revenues	185,824	183,259
Change in net position	\$ 24,423	\$ 18,944

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2024

Capital Assets

GASB Statement No. 34 requires the District to record all its capital assets, which were not recorded in prior years. At the end of fiscal year 2024, the cost of infrastructure and other capital assets recorded in the District's financial statements was as shown in Table 5 below:

Table 5
Capital Assets at Year-End

	Balance at June 30, 2024	Balance at June 30, 2023
<u>Governmental Activities</u>		
Land (not depreciated)	\$ 903,491	\$ 903,491
Construction in progress	319,024	35,722
Buildings	671,428	634,695
Infrastructure	1,305,973	1,305,973
Equipment	444,727	444,727
Less: accumulated depreciation	(1,522,076)	(1,352,729)
Governmental activity capital assets, net	\$ 2,122,567	\$ 1,971,879
 <u>Business-type Activities</u>		
Equipment	\$ 1,631,033	\$ 1,631,033
Less: accumulated depreciation	(791,696)	(757,963)
Business-type activity capital assets, net	\$ 839,337	\$ 873,070

Details on capital assets, current year additions and current year disposals can be found in Note 5.

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability. The District will continue to maintain a watchful eye over expenditures and remains committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting the District's Financial Management

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this Report should be directed to Muir Beach Community Services District, 19 Seacape Drive, Muir Beach, CA 94965.

Muir Beach Community Services District
STATEMENT OF NET POSITION
 June 30, 2024

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 971,188	\$ 210,412	\$ 1,181,600
Account receivable	-	3,539	3,539
Internal balances	(22,544)	22,544	-
Non-depreciable capital assets	903,491	-	903,491
Depreciable capital assets, net	1,219,076	839,337	2,058,413
Total assets	<u>3,071,211</u>	<u>1,075,832</u>	<u>4,147,043</u>
<u>LIABILITIES</u>			
Accounts payable	3,981	-	3,981
Total liabilities	<u>3,981</u>	<u>-</u>	<u>3,981</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,122,567	839,337	2,961,904
Restricted for capital improvements	-	410,497	410,497
Unrestricted net position (deficit)	944,663	(174,002)	770,661
Total net position	<u>\$ 3,067,230</u>	<u>\$ 1,075,832</u>	<u>\$ 4,143,062</u>

The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:						
General government	\$ 100,064	\$ 30,300	\$ -	\$ (69,764)	\$ -	\$ (69,764)
Recreation	31,188	3,500	177,952	150,264	-	150,264
Public safety	77,318	-	426,800	349,482	-	349,482
Roads	175,500	-	-	(175,500)	-	(175,500)
Interest on long term debt	-	-	-	-	-	-
Total governmental activities:	384,070	33,800	604,752	254,482	-	254,482
Business-type activities - water	161,401	106,430	79,394	-	24,423	24,423
Total	\$ 545,471	\$ 140,230	\$ 684,146	254,482	24,423	278,905
General revenues:						
Taxes:						
Property taxes				291,371	-	291,371
Measure A				46,179	-	46,179
Measure W				68,513	-	68,513
Measure C				13,039	-	13,039
Other income				2,200	-	2,200
Interest income				174	-	174
Total general revenues				421,476	-	421,476
Change in net position				675,958	24,423	700,381
Net position - beginning of period				2,391,272	1,051,409	3,442,681
Net position - end of period				\$ 3,067,230	\$ 1,075,832	\$ 4,143,062

The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2024

	General
<u>ASSETS</u>	
Assets:	
Cash and investments	\$ 971,188
Total assets	\$ 971,188
 <u>LIABILITIES AND EQUITY</u>	
Liabilities:	
Accounts payable	\$ 3,981
Due to other funds	22,544
Total liabilities	26,525
Fund equity:	
Fund balance	
Unassigned	944,663
Total fund balances	944,663
Total liabilities and equity	\$ 971,188

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The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
RECONCILIATION OF THE
GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
June 30, 2024

Total Governmental Funds fund balances	\$ 944,663
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

<u>2,122,567</u>

Net Position of Governmental Activities

<u>\$ 3,067,230</u>

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The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
 Governmental Funds
 For the Fiscal Year Ended June 30, 2024

	General
Revenue:	
Property taxes	\$ 291,371
Intergovernmental	16,800
Measure A	46,179
Measure W	68,513
Measure C	13,039
Rental income	33,800
Grants & donations	587,952
Other income	2,200
Interest income	174
Total revenue	1,060,028
Expenditures:	
General government	100,064
Recreation	351,223
Public safety	77,318
Roads	6,153
Total expenditures	534,758
Excess (deficiency) of revenue over (under) expenditures	525,270
Fund balance, beginning of period	419,393
Fund balance, end of period	\$ 944,663

The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES
TOTAL GOVERNMENTAL FUNDS
WITH THE
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2024

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	525,270
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Amounts reported for governmental activities in the Statement of Activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:

The capital outlay expenditures are therefore added back to fund balance	320,035	
Depreciation expense is deducted from the fund balance		<u>(169,347)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>675,958</u>
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The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
STATEMENT OF NET POSITION
 June 30, 2024

	Business-type Activities
<u>ASSETS</u>	
Cash and investments	\$ 210,412
Account receivable	3,539
Due from other funds	22,544
Total current assets	236,495
Depreciable capital assets, net	839,337
Total assets	1,075,832
 <u>NET POSITION</u>	
Net investment in capital assets	839,337
Restricted for capital improvements	410,497
Unrestricted net position (Deficit)	(174,002)
 Total net position	 \$ 1,075,832

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The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2024

	<u>Business-type Activities</u>
Operating revenues:	
Water sales	\$ 106,430
Total operating revenues	<u>106,430</u>
Operating expenses:	
Salaries and benefits	68,863
Utilities	13,060
Treatment and testing	6,997
Administration	25,582
Repairs and maintenance	12,820
Depreciation	33,733
Other expense	<u>346</u>
Total operating expenses	<u>161,401</u>
Operating income (loss)	<u>(54,971)</u>
Income (loss) before capital contributions	<u>(54,971)</u>
Capital contributions	<u>79,394</u>
Change in net position	24,423
Net position, beginning of period	<u>1,051,409</u>
Net position, end of period	<u>\$ 1,075,832</u>

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The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

	Business-type Activities
Cash flows from operating activities:	
Receipts from customers	\$ 122,158
Payments to suppliers	<u>(141,772)</u>
Net cash provided (used) by operating activities	<u>(19,614)</u>
Cash flows from capital and related financing activities:	
Capital connection fees received	<u>79,394</u>
Net cash provided (used) by capital and related financing activities	<u>79,394</u>
Net increase (decrease) in cash and cash equivalents	59,780
Cash and cash equivalents - beginning of period	<u>150,632</u>
Cash and cash equivalents - end of period	<u><u>\$ 210,412</u></u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (54,971)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	33,733
Changes in certain assets and liabilities:	
Accounts receivable	15,728
Due to other funds	(14,104)
Accounts payable	<u>-</u>
Net cash provided (used) by operating activities	<u><u>\$ (19,614)</u></u>

The accompanying notes are an integral part of these financial statements.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - GENERAL

Muir Beach Community Services District (the District) is a separate governmental entity established in July 1958. The District provides water service, recreational service, roads and easement maintenance, and fire protection for a population approximating 550 in an area of 820 square acres in Muir Beach of Marin County. Revenues are derived principally from property taxes and water service charges collected from commercial and residential users within the District.

The District is governed by a five-person Board of Directors (the Board) elected for four-year terms. The District's legal authority and responsibilities are contained in the California Government Code sections 61000-61850 under the "Community Services District Law."

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies of the District conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The District's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 business-type activities of the District and for each function 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.

Fund Financial Statements: The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

The fund financial statements provide information about the District's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported the following major governmental funds in the accompanying financial statements:

General Fund: This is used for all the general revenues of the District not specifically levied or collected for other District funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit that are not accounted for in another fund.

Water Fund: This fund is used to account for the activities related to providing water service within the District.

C. 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 funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when "measurable" and "available". The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Because of their spending measurement *focus*, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (concluded)

The Water Enterprise Fund financial statements are presented on the accrual basis. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for water provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District's water enterprise fund recognizes as capital contributions the entire portion of tap fees, as they intend to recover the costs of the capital investment in the water and waste water distribution system.

Those revenues susceptible to accrual are property taxes, certain other intergovernmental revenues, certain charges for services and interest revenue.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Cash Equivalents - For purposes of the statement of cash flows, all investments with a maturity of three months or less are considered cash equivalents. The District's deposits in the County of Marin pool are, in substance, demand deposits and are therefore considered cash equivalents.

D. Budgets and Budgetary Accounting

The District annually adopts a budget for its General Fund using the modified accrual basis. Expenditures are controlled at the object (line item) level. Any amendments or transfers of appropriations must be approved by the Board. Appropriations lapse at the end of the fiscal year. The Board made no supplemental appropriations during the year. Actual expenditures in the General Fund were over appropriations by \$7,839.

E. Property Taxes

Property Taxes are levied each November 1 on the assessed values as of the prior March 1. The County of Marin's property tax calendar is as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	March 1	March 1
First installment due date	50% on November 1	July 1 (total due)
Delinquent as of	December 10	August 31
Second installment due date	50% on February 1	
Delinquent as of	April 10	

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Contingent Liabilities

The District is subject to litigation arising in the normal course of business. In the opinion of the District's legal counsel there is no pending litigation that is likely to have a material adverse effect on the financial position of the District.

G. Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

H. Elimination of Interfund Activity

During operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end is reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities' column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments at June 30, 2024 consisted of the following:

Demand deposit accounts	\$ 1,181,600
	<u>\$ 1,181,600</u>

Authorized Investments:

Under provision of the District's Investment Policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments:

Securities of the U.S. Government or its agencies; time certificates of deposit; County of Marin Cash and Investment Pool; and California Local Agency Investment Fund deposits. The District's investment policy is consistent with the County of Marin's investment policy.

Custodial Credit Risk - Deposits

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 deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (concluded)

The custodial credit risk for deposits and 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 requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits.

The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

The District did not have investments subject to recurring fair value measurements as of June 30, 2024.

NOTE 4 - RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

As of June 30, 2024, \$22,544 was due to the Water Fund from the General Fund because of payment of General expenses by the Water Fund. There are no repayment terms nor interest on these interfund balances.

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. It is the policy of the District to capitalize all land, structures and improvements in excess of \$5,000 and equipment in excess of \$700.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 5 - CAPITAL ASSETS (continued)

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro-rata share of the cost of capital assets. Depreciation expense for the current year ended was \$33,733 for the Water Fund and \$169,347 for Governmental Activities.

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:

Buildings	30-50 years
Improvements	10-20 years
Equipment	5-40 years
Infrastructure	10-50 years

An analysis of fixed assets at June 30, 2024, is as follows:

<u>Governmental Activities</u>	<u>Balance 6/30/23</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/24</u>
Capital assets, not being depr.:				
Land	\$ 903,491	\$ -	\$ -	\$ 903,491
Total capital assets, not being depreciated	<u>903,491</u>	<u>-</u>	<u>-</u>	<u>903,491</u>
Capital assets, being depreciated:				
Construction in progress	35,722	283,302	-	319,024
Buildings	634,695	36,733	-	671,428
Infrastructure	1,305,973	-	-	1,305,973
Office furniture and equipment	<u>444,727</u>	<u>-</u>	<u>-</u>	<u>444,727</u>
Total capital assets, being depreciated	<u>2,421,117</u>	<u>320,035</u>	<u>-</u>	<u>2,741,152</u>
Less accumulated depreciation for:				
Buildings	(482,623)	(20,032)	-	(502,655)
Infrastructure	(449,090)	(130,597)	-	(579,687)
Office furniture and equipment	<u>(421,016)</u>	<u>(18,718)</u>	<u>-</u>	<u>(439,734)</u>
Total accumulated depreciation	<u>(1,352,729)</u>	<u>(169,347)</u>	<u>-</u>	<u>(1,522,076)</u>
Total capital assets being depreciated – net	<u>1,068,388</u>	<u>(150,688)</u>	<u>-</u>	<u>1,219,076</u>
Capital assets – net	<u>\$ 1,971,879</u>	<u>\$ (150,688)</u>	<u>\$ -</u>	<u>\$ 2,122,567</u>

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE 5 - CAPITAL ASSETS (concluded)

<u>Business-type Activities</u>	<u>Balance</u> <u>6/30/23</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/24</u>
Capital assets, being depreciated:				
Infrastructure	\$ 1,631,033	\$ -	\$ -	\$ 1,631,033
Total capital assets, being depreciated	<u>1,631,033</u>	<u>-</u>	<u>-</u>	<u>1,631,033</u>
Less accumulated depreciation for:				
Infrastructure	<u>(757,963)</u>	<u>(33,733)</u>	<u>-</u>	<u>(791,696)</u>
Total accumulated depreciation	<u>(757,963)</u>	<u>(33,733)</u>	<u>-</u>	<u>(791,696)</u>
Capital assets – net	<u>\$ 873,070</u>	<u>\$ (33,733)</u>	<u>\$ -</u>	<u>\$ 839,337</u>

NOTE 6 - RISK MANAGEMENT

The District purchases insurance coverage for property and liability, fire and rescue operations, and automobile risks. Coverage includes real and personal property, bodily injury, wrongful acts, employment practices, theft, employee dishonesty and terrorist acts. Coverage excludes earthquake and flood damage. The District’s general liability coverage is \$1,000,000 – \$10,000,000 with no deductible, and the Blanket coverage for property is at replacement value with \$5,000 deductible, and the Fire Policy is \$1,000,000 – \$3,000,000 with \$5,000 deductible,

NOTE 7 - NET POSITION AND FUND BALANCE

GASB Statement No. 34 added the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Position

The Statement of Net Position breaks out net position as follows:

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter.

Unrestricted describes the portion of Net Position that is not restricted from use.

Net investment in Capital Assets describes the portion of Net Position that is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - NET POSITION AND FUND BALANCE (concluded)

B. Fund Equity

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the District's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

Fund Balance Flow Assumption

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District's policy specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, and then assigned fund balance, and finally unassigned fund balance.

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Muir Beach Community Services District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

General Fund

For the Fiscal Year Ended June 30, 2024

(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Property taxes	\$ 284,542	\$ 284,542	\$ 291,371	\$ 6,829
Intergovernmental	16,800	16,800	16,800	-
Measure A	43,168	43,168	46,179	3,011
Measure W	75,000	75,000	68,513	(6,487)
Measure C	12,000	12,000	13,039	1,039
Rental income	4,000	4,000	33,800	29,800
Donations & Grants	177,952	177,952	587,952	410,000
Other income	31,000	31,000	2,200	(28,800)
Interest income	40	40	174	134
Total revenue	<u>644,502</u>	<u>644,502</u>	<u>1,060,028</u>	<u>415,526</u>
Expenditures:				
General government	145,953	145,953	100,064	45,889
Recreation	286,710	286,710	351,223	(64,513)
Public safety	81,256	81,256	77,318	3,938
Roads	13,000	13,000	6,153	6,847
Total expenditures	<u>526,919</u>	<u>526,919</u>	<u>534,758</u>	<u>(7,839)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 117,583</u>	<u>\$ 117,583</u>	525,270	<u>\$ 407,687</u>
Fund balance, beginning of period			<u>419,393</u>	
Fund balance, end of period			<u>\$ 944,663</u>	