

Muir Beach

Community Services District

BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006



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**MUIR BEACH COMMUNITY SERVICES DISTRICT
 BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2006**

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Kevin W. Harper CPA & Associates

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Muir Beach Community Services District

We have audited the basic financial statements of the Muir Beach Community Services District (the "District") as of and for the year ended June 30, 2006, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District at June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

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opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis listed in the foregoing table of contents is not a required part of the basic financial statements, but is supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Keim W. Hayton CPA & Associates

May 15, 2010

**MUIR BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2006**

This section of the Muir Beach Community Services District (the District) annual financial report presents a discussion and analysis of the District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the District's basic financial statements and notes to those statements following this section. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Overview of the Financial Statements

As required by the Governmental Accounting Standards Board, the District's financial statements include the following:

- Statement of Net Assets (showing government-wide assets and liabilities)
- Statement of Activities (showing government-wide revenues and expenses)
- Balance Sheet – Governmental Funds (showing assets and liabilities of the General Fund and Volunteer Fireman's Fund)
- Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (showing revenues and expenditures for the General Fund and Volunteer Fireman's Fund)
- Statement of Net Assets – Proprietary Fund (showing assets and liabilities of the Water Fund)
- Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund (showing revenues and expenses of the Water Fund)
- Statement of Cash Flows – Proprietary Fund (showing cash receipts and disbursements of the Water Fund)
- Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual (showing budget versus actual revenues and expenditures for the General Fund)

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, fire operations and recreational activities. The business-type activities of the District represent water service.

The government-wide financial statements include not only the District itself (known as the primary government), but also the Muir Beach Volunteer Fireman's Association, a legally separate volunteer fire association. It was organized solely to benefit the District and is included as an integral part of the primary government.

Fund financial statements – Governmental funds are used to report essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund (considered to be a major fund) and the Volunteer Fireman's Fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the Water Enterprise Fund (considered to be a major fund) to account for its water distribution operation.

Financial Analysis

Government-wide - The District's net assets totaled \$1,126,401 as of June 30, 2006. This represents an increase of \$82,181 for the year ended June 30, 2006. A summary of the District's assets and liabilities for each of these years is presented below:

Total Assets and Liabilities

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 741,075	\$ 637,031	\$104,044
Capital Assets	396,624	423,713	(27,089)
Total Assets	1,137,699	1,060,744	76,955
Total Liabilities	(11,298)	(16,524)	5,226
Total Net Assets	\$1,126,401	\$1,044,220	\$ 82,181
Unrestricted	\$ 729,777	\$ 620,507	\$109,270
Invested in Capital Assets	396,624	423,713	(27,089)
Total Net Assets	\$1,126,401	\$1,044,220	\$ 82,181

Current assets increased due primarily to an excess of revenues over expenses of \$82,181 for the fiscal year as shown below. Capital assets decreased due to depreciation expense.

For the District as a whole, revenues and expenses for the years ended June 30, 2006 and 2005 are summarized in the following table:

Total Revenues and Expenses

	<u>FY 2005-06</u>	<u>FY 2004-05</u>	<u>Increase (Decrease)</u>
Total Revenues	\$ 400,331	\$ 370,774	\$29,557
Total Expenses	(318,150)	(289,949)	(28,201)
Change in Net Assets	82,181	80,825	1,356
Beginning Net Assets	1,044,220	963,395	80,825
Ending Net Assets	\$1,126,401	\$1,044,220	\$82,181

Total revenues increased by \$29,557 primarily as a result of:

- \$93,347 grants received by the Volunteer Fireman's Fund during fiscal year 2005-06. These new grants were from the California Department of Forestry (CDF) and the Federal Emergency Management Agency (FEMA) for special equipment and supplies.
- Offset by \$35,301 Firesafe Marin grant received in fiscal year 2004-05 but not fiscal year 2005-06.
- Reduction in donations for the community center roof of \$26,300.

Total expenses increased by \$28,201 due primarily to \$121,661 purchases of small equipment and supplies funded by the CDF and FEMA grants, offset by reduced Capital Outlays of \$56,439 and decreased administrative expenditures for both the General and Water Funds.

General Fund – The District uses the General Fund as its chief operating fund. As of June 30, 2006, fund balance of the General Fund was \$228,716. This fund is used for general and administrative activities of the District, as well as recreational services activities. Following is a summary of assets and liabilities of the General Fund at June 30, 2006 and 2005:

General Fund Assets and Liabilities

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase (Decrease)</u>
Cash and Investments	\$196,893	\$179,123	\$17,770
Other Assets	33,971	25,415	8,556
Total Assets	230,864	204,538	26,326
Liabilities	(2,148)	(7,624)	5,476
Fund Balance	\$228,716	\$196,914	\$31,802

General Fund assets increased during the year due primarily to an excess of revenues over expenditures for the fiscal year as shown below.

Following is a summary of revenues and expenditures of the General Fund for the years ended June 30, 2006 and 2005:

General Fund Revenues and Expenditures

	<u>FY 2005-06</u>	<u>FY 2004-05</u>	<u>Increase (Decrease)</u>
Total Revenues	\$122,933	\$205,751	\$(82,818)
Total Expenditures	(91,131)	(178,956)	(87,825)
Net Change in Fund Balance	31,802	26,795	5,007
Beginning Fund Balance	196,914	170,119	26,795
Ending Fund Balance	\$228,716	\$196,914	\$31,802

Total General Fund revenues decreased compared to the prior fiscal year by \$82,818 primarily as a result of:

- Decline in Firesafe Marin grant of \$35,301, received in fiscal year 2004-05 but not current year.
- Decline in roof donations of \$26,300, which were raised in prior year when community center roof was renovated.
- Decline in movie use fee of \$22,500 due to one-time fee from a Columbia Pictures received in fiscal year 2004-05.

General Fund expenditures declined by \$87,825 compared to the prior fiscal year primarily as a result of:

- Decline in capital outlay expenditures of \$56,439. Fiscal year 2004-05 expenditures included acquisition of a Bobcat for \$34,442 and improvements to the community center of \$21,997.
- Reduction in payroll and administration expenses of \$30,860.

There were no revisions during the year to the budget adopted for the General Fund.

Water Fund – The Water Fund’s assets and liabilities were as follows:

Water Fund Assets and Liabilities

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase (Decrease)</u>
Cash and Investments	\$400,722	\$329,227	\$71,495
Other Assets	219,168	227,038	(7,870)
Total Assets	619,890	556,265	63,625
Liabilities	(34,254)	(31,982)	(2,272)
Net Assets	\$585,636	\$524,283	\$61,353

Water Fund cash and investments increased during fiscal year 2005-06 due to collection of amounts to be used for acquisition of capital assets in amounts that exceeded outlays for capital assets. Specifically, collections of consumption surcharges and special assessment fees totaled \$66,445 and acquisition of capital assets totaled only \$7,132.

The Water Fund’s revenues and expenses for fiscal years 2005-06 and 2004-05 were as follows:

Water Fund Revenues and Expenses

	<u>FY 2005-06</u>	<u>FY 2004-05</u>	<u>Increase (Decrease)</u>
Total Revenues	\$159,108	\$ 133,861	\$25,247
Total Expenses	(97,755)	(124,891)	27,136
Net Change in Net Assets	61,353	8,970	52,383
Beginning Net Assets	524,283	515,312	8,971
Ending Net Assets	\$585,636	\$524,282	\$61,354

Total Water Fund revenues increased primarily because of an increase in the interest rate earned on investments (resulting in additional interest revenue of \$13,239) and an increase in water rates in October 2005 (resulting in an increase in water service revenue of \$6,908). Total expenses decreased due primarily to a major unexpected water leak in fiscal year 2004-05 that cost \$22,900 to repair.

Capital Asset Administration

The District’s investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$396,624 (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, water system, machinery and equipment, and roads. The District’s investment in capital assets decreased by 7% during the year ended June 30, 2006 due to capital asset additions of \$27,123 offset by depreciation expense of \$54,221.

Summary of Known Facts Decisions or Conditions

The Board approved a water rate increase effective November 2005. This increase was expected to increase water revenues approximately \$1,100 per month.

Subsequent to June 30, 2006, the District was awarded \$278,553 of Federal Emergency Management Agency grants to be used to repair roads, drainage systems, bridges and culverts near Redwood Creek.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sharon Mullin, Certified Public Accountant, 690 Vincente Avenue, Berkeley, California 94707.

MUIR BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
ASSETS			
Cash and Investments	\$ 310,587	\$ 400,722	\$ 711,309
Receivables	8,400	13,304	21,704
Inventory	7,595		7,595
Capital Assets, Net of Accumulated Depreciation of \$657,958	190,760	205,864	396,624
Other	467		467
	<u>517,809</u>	<u>619,890</u>	<u>1,137,699</u>
LIABILITIES			
Accounts Payable	114		114
Deposits	2,034	9,150	11,184
	<u>2,148</u>	<u>9,150</u>	<u>11,298</u>
NET ASSETS			
Invested in Capital Assets	190,760	205,864	396,624
Unrestricted	324,901	404,876	729,777
	<u>\$ 515,661</u>	<u>\$ 610,740</u>	<u>\$ 1,126,401</u>

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

**MUIR BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Asset</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:						
General Government	\$ 114,154	\$ 13,811	\$ 24,376	\$ (75,967)		\$ (75,967)
Fire Operations	106,241		108,369	2,128		2,128
Total Governmental Activities	220,395	13,811	132,745	(73,839)		(73,839)
Business-Type Activities - Water	97,755	141,812			\$ 44,057	44,057
Total	\$ 318,150	\$ 155,623	\$ 132,745	(73,839)	44,057	(29,782)

General Revenues:

Property Taxes:		
Levied for General Purposes	70,776	70,776
Special Assessment	19,817	19,817
Investment Earnings	4,074	17,297
Transfers	(2,021)	2,021
Total General Revenues and Transfers	92,646	111,964
Change in Net Assets	18,806	82,181
Net Assets - July 1, 2005	496,855	1,044,220
Net Assets - June 30, 2006	\$ 515,661	\$ 1,126,401

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

**MUIR BEACH COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Major Fund- General Fund	Non-Major Fund- Volunteer Fireman's Fund	Total
ASSETS			
Cash and Investments	\$ 196,893	\$ 113,694	\$ 310,587
Due from Water Fund	25,104		25,104
Receivables	8,400		8,400
Inventory		7,595	7,595
Other	467		467
Total Assets	\$ 230,864	\$ 121,289	\$ 352,153
LIABILITIES			
Accounts Payable	\$ 114		\$ 114
Deposits	2,034		2,034
Total Liabilities	2,148		2,148
FUND BALANCE - Unreserved	228,716	\$ 121,289	350,005
Total Liabilities and Fund Balance	\$ 230,864	\$ 121,289	\$ 352,153

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Governmental fund balance	\$ 350,005
Capital assets, net of accumulated depreciation, are reported on the Statement of Net Assets but not in governmental funds	190,760
Interfund balances are reported in governmental funds but not on the Statement of Assets	(25,104)
Net Assets for Governmental Activities on the Statement of Net Assets	\$ 515,661

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
YEAR ENDED JUNE 30, 2006

	Major Fund- Non-Major Fund-		<i>Total</i>
	<i>General</i>	<i>Volunteer Fireman's</i>	
REVENUES			
Recreational Activities	\$ 13,811		13,811
Grants	8,400	\$ 90,788	99,188
Donations	9,488	995	10,483
Special Assessments	19,817		19,817
Property Taxes	70,776		70,776
Interest	566	3,508	4,074
Event Income		22,999	22,999
Other	75		75
Total Revenues	122,933	118,290	241,223
EXPENDITURES - Current:			
Accounting & Bookkeeping	11,795		11,795
Administration	13,593		13,593
Bank Service Charges	127	5	132
Bistro Expenses	613		613
Event cost	1,383		1,383
Grant Purchases		109,338	109,338
Insurance	3,463		3,463
Interest	7		7
Legal & Professional	10,434		10,434
Licenses, Memberships & Fees	1,800	20	1,820
Meetings	335		335
Office Expense	206	51	257
Payroll	26,212		26,212
Postage & Delivery	347	14	361
Printing & Photocopies	212		212
Repair & Maintenance	6,056	2,680	8,736
Supply	3,410	232	3,642
Telephone	1,424	313	1,737
Travel	181		181
Utilities	2,178		2,178
West Marin Expenses	7,355		7,355
Total Expenditures	91,131	112,653	203,784
Net Change in Fund Balances	31,802	5,637	37,439
Fund Balances, July 1, 2005	196,914	115,652	312,566
Fund Balances, June 30, 2006	\$ 228,716	\$ 121,289	\$ 350,005

RECONCILIATION OF GOVERNMENTAL FUND EXCESS OF REVENUES OVER EXPENDITURES TO CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

Governmental fund excess of Revenues over Expenditures	\$ 37,439
Depreciation expense is reported in the Statement of Activities but not in governmental funds	(16,611)
Increase in Due from Water Fund	(2,021)
Change in Net Assets on Statement of Activities	\$ 18,807

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

**MUIR BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006**

	<i>Water Fund</i>
ASSETS	
Cash and Investments	\$ 400,722
Water Billing Receivables	13,304
Capital Assets, Net of Accumulated Depreciation of \$363,011	205,864
Total Assets	619,890
LIABILITIES	
Due To General Fund	25,104
Deposits	9,150
Total Liabilities	34,254
NET ASSETS	
Invested in Capital Assets	205,864
Restricted	379,772
Total Net Assets	\$ 585,636

**RECONCILIATION OF PROPRIETARY FUND NET ASSETS
TO NET ASSETS OF BUSINESS-TYPE ACTIVITIES:**

Proprietary fund net assets	\$ 585,636
Interfund balances are reported in proprietary funds but not on the Statement of Net Assets	25,104
Net Assets for business-type activities on the Statement of Net Assets	\$ 610,740

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

MUIR BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY
FUND
YEAR ENDED JUNE 30, 2006

	<i>Water Fund</i>
OPERATING REVENUES	
Water Service Charges	\$ 70,468
OPERATING EXPENSES	
Accounting & Bookkeeping	7,080
Administration	11,773
Depreciation	17,610
Employee Benefits	3,383
Legal & Professional	813
Licenses, Memberships & Fees	3,330
Office Expense	107
Payroll	26,772
Postage & Delivery	420
Printing & Photocopies	49
Repair & Maintenance	5,414
Supplies	671
Telephone	804
Travel	1,620
Utilities	3,259
Water Testing	14,650
Total Expenses	97,755
Operating Loss	(27,287)
NON-OPERATING REVENUES - Interest	17,297
CAPITAL CONTRIBUTIONS	
Consumption Surcharge	18,640
Special Assessment	52,703
Change in Net Assets	61,353
Net Assets, July 1, 2005	524,283
Net Assets, June 30, 2006	\$ 585,636
RECONCILIATION OF PROPRIETARY FUND CHANGE IN NET ASSETS TO CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES:	
Proprietary fund change in net assets	\$ 61,353
Increase in Due to General Fund	2,021
Business-type activities change in net assets	\$ 63,374

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

**MUIR BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	<u><i>Water Fund</i></u>
<i>Cash Flows from Operating Activities:</i>	
Cash received from customers	\$ 70,718
Cash paid to employees for services	(30,155)
Cash paid to suppliers for goods and services	(49,991)
Cash Used by Operating Activities	<u>(9,428)</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>	
Purchase of capital assets	(7,130)
Collection of consumption surcharge	18,640
Collection of special assessment	47,805
Cash Used by Capital and Related Financing Activities	<u>59,315</u>
<i>Cash Flows from Non-Capital Financing Activity -</i>	
Increase in due to General Fund	<u>2,021</u>
<i>Cash Flows from Investing Activity -</i>	
Interest received	<u>19,587</u>
Increase in cash and equivalents	71,495
<i>Cash and equivalents - July 1, 2005</i>	<u>329,227</u>
<i>Cash and equivalents - June 30, 2006</i>	<u><u>\$ 400,722</u></u>
Reconciliation of Cash Used by Operating Activities to Operating Loss	
Cash used by operating activities	\$ (9,428)
Increase in water security deposits payable	(249)
Depreciation	(17,610)
Operating loss	<u><u>\$ (27,287)</u></u>

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 -
GENERAL FUND - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance - Positive (Negative)</i>
REVENUES			
Recreational Activities	\$ 13,811	\$ 14,830	\$ (1,019)
West Marin Grant	8,400	6,740	1,660
Donations	9,488		9,488
Special Assessments	19,817		19,817
Property Taxes	70,776	78,000	(7,224)
Interest	566	3,636	(3,070)
Other	75		75
Total Revenues	<u>122,933</u>	<u>103,206</u>	<u>19,727</u>
EXPENDITURES - Current:			
Accounting & Bookkeeping	11,795	13,000	1,205
Administration	13,593	11,400	(2,193)
Bank Service Charges	127		(127)
Bistro Expenses	613		(613)
Event cost	1,383	2,730	1,347
Insurance	3,463	5,640	2,177
Interest	7		(7)
Legal & Professional	10,434	5,750	(4,684)
Licenses, Memberships & Fees	1,800	1,250	(550)
Meetings	335		(335)
Miscellaneous Operating Expenses	206	600	394
Office		1,560	1,560
Payroll	26,212	10,164	(16,048)
Postage & Delivery	347		(347)
Printing & Photocopies	212		(212)
Repair & Maintenance	6,056	9,000	2,944
Supply	3,410	9,170	5,760
Telephone	1,424		(1,424)
Travel	181		(181)
Utilities	2,178	3,620	1,442
West Marin Expenditures	7,355		(7,355)
Total Expenditures	<u>91,131</u>	<u>73,884</u>	<u>(17,247)</u>
Net Change in Fund Balance	31,802	29,322	2,480
Fund Balance, July 1, 2005	196,914	133,848	63,066
Fund Balance, June 30, 2006	<u><u>\$ 228,716</u></u>	<u><u>\$ 163,170</u></u>	<u><u>\$ 65,546</u></u>

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

MUIR BEACH COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – ORGANIZATION

The Muir Beach Community Services District (the District) is a 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 the Muir Beach area 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."

The Muir Beach Volunteer Fireman's Association (MBVFA) is a non-profit mutual benefit corporation formed in May 1994 to provide volunteer labor and other resources to the District to support its ability to provide fire protection services within the District. MBVFA board members are elected by the current MBVFA board and serve a two year term. MBVFA is considered a component unit of the District and its activities and balances are blended in the accompanying financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the District. They are prepared 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. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues consist of charges for services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the District's governmental and proprietary funds. The District uses the following major funds:

- *General Fund* is the general operating fund of the District. It is used to account for all financial resources and transactions except those required to be accounted for in another fund.

MUIR BEACH COMMUNITY SERVICES DISTRICT
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- *Water Fund* is an enterprise fund used to account for the activities related to providing water service within the District.

The District's governmental fund financial statements are presented on the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they are both "measurable and available." Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The modified accrual basis of accounting uses the current financial resources measurement focus whereby the balance sheet generally presents only current assets and current liabilities and the operating statement presents sources and uses of available resources during a given period.

Property taxes and investment income (including the change in the fair value of investments) associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year using the modified accrual basis of accounting as described above. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 follows all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The District has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

Capital Assets

Capital assets are accounted for on the historical cost basis. Depreciation is determined on a straight-line basis over 20 to 30 years for buildings, 15 to 40 years for machinery and equipment and 3 to 15 years for vehicles. The District capitalizes all capital assets with initial cost greater than \$5,000 and a useful life greater than one year.

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.

MUIR BEACH COMMUNITY SERVICES DISTRICT
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Employee Benefits

Unused vacation benefits are paid in cash each year. The District provides no sick leave benefits. Medical benefits for the water manager are provided through the California Public Employees Retirement System; annual premium costs paid for the year ended June 30, 2006 was \$4,511.

Net Assets

Net assets are reported in the following categories:

- Invested in capital assets, net of related debt – This category groups all capital assets into one category. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted. The District had no restricted net assets at June 30, 2006.
- Unrestricted net assets – This category represents net assets of the District, not restricted for any project or other purpose.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

Property Taxes

Property taxes are assessed, collected and distributed by the County of Marin in accordance with legislation. Secured property taxes are attached as an enforceable lien on real property located in the County of Marin as of each March 1. Secured property taxes are levied each November 1 on the assessed value of the real property as of the prior March 1. Taxes are due in two equal installments on December 10 and April 10 following the levy date.

Water consumption surcharges are assessed by the District Board of Directors before September 1 and adopted by ordinance. Water consumption surcharges are incorporated on the property tax bill and are attached as an enforceable lien on real property located within the District. Water consumption surcharges are due in two equal installments on December 10 and April 10 following the assessment date. The water consumption surcharges are collected and distributed to the District by the County of Marin.

Budget

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.

MUIR BEACH COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2006, consisted of the following:

Cash in bank and on hand	\$33,535
Cash with Marin County Treasurer	587,774
U.S. Treasury bills	90,000
Total cash	<u>\$711,309</u>

Cash balances held in bank are entirely insured or collateralized by the bank holding the deposit. Up to \$100,000 per account is insured by the Federal Depository Insurance Corporation. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution, but is considered to be held in the District's name and places the District ahead of general creditors of the institution.

The District invests cash in the Marin County Treasurer's pooled investment fund. The County Treasurer invests this fund pursuant to California Government Code Sections 53601, 53635 and 53637, which specify the investments allowed. The District earns interest on these deposits based on the daily earnings of the fund prorated to the District based on the ratio of the District's daily deposit balance to the total daily fund balance of the Treasurer's pooled investment fund. Oversight of the County Treasurer's pooled investment fund is provided by the County Treasurer. The audited financial statements of the County of Marin contain a complete disclosure of the investments and their respective levels of risk in the pooled investment fund.

U.S. Treasury bills are held by a trustee in the District's name. They carry interest ranging from 4.775% to 5.121%. They mature September through December 2006.

The District does not adopt an investment policy covering maximum maturities, acceptable credit ratings and concentration of credit risk. Investments authorized by the California Government Code for District purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Securities of the State of California
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Money Market Mutual Funds
- Savings Accounts

**MUIR BEACH COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 4 – CAPITAL ASSETS

Changes in fixed assets during the year were as follows:

	<i>Balance June 30, 2005</i>	<i>Additions and Adjustments</i>	<i>Balance June 30, 2006</i>
Governmental Activities			
Capital Assets Not Depreciated -			
Land & Easements	\$ 74,673		\$ 74,673
Capital Assets Being Depreciated:			
Buildings	277,962		277,962
Equipment	113,072	\$ 20,000	133,072
Total Depreciable Capital Assets	391,034	20,000	411,034
Less Accumulated Depreciation:			
Buildings	(185,142)	(10,190)	(195,332)
Equipment	(73,194)	(26,421)	(99,615)
Total Accumulated Depreciation	(258,336)	(36,611)	(294,947)
Total Depreciable Capital Assets, Net	132,698	(16,611)	116,087
Total Governmental Activities' Capital Assets	\$ 207,371	(36,611)	\$190,760
Business-type Activities			
Equipment	\$ 561,743	7,132	568,875
Less Accumulated Depreciation	(345,401)	(17,610)	(363,011)
Net Business-type Activities' Capital Assets	\$ 216,342	\$(10,478)	\$ 205,864

Depreciation related to governmental activities was charged to the general government function/program in the statement of activities and depreciation related to business-type activities was charged to the water function/program.

NOTE 5 – INSURANCE

The District purchases insurance coverage for property and liability, fire and rescue operations, and automobile risks. Annual premiums totaled \$3,463. 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 deductibles are up to \$2,500 per occurrence and annual coverage limits vary from \$10,000 to \$3,000,000, depending on type of claim.

NOTE 6 – INTERFUND ACTIVITY

As of June 30, 2006, \$25,104 was due to the General Fund from the Water Fund as a result of payment of water expenses by the General Fund. There are no repayment terms nor interest on this interfund balance.



Kevin W. Harper CPA & Associates

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

To the Board of Directors
Muir Beach Community Services District

We have audited the financial statements of Muir Beach Community Services District (the "District") as of and for the year ended June 30, 2006, and have issued our report thereon dated May 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to the District's Board in a separate letter dated May 15, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Kevin W. Hayden CPA & Associates

May 15, 2010