

Muir Beach

Community Services District

BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007



Kevin W. Harper, CPA
3002 Seriana Court
Union City, CA 94587
(510) 324-1022
kevinharpercpa@cs.com



**MUIR BEACH COMMUNITY SERVICES DISTRICT
 BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2007**

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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, 2007, 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 financial position of the District at June 30, 2007, and the changes in financial position and respective budgetary comparisons for the year then ended, in conformity with generally accepted accounting principles.

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 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.

3002 Seriana Court, Union City, CA 94587
(510) 324-1022 Fax (510) 471-6932 kharper@kevinharpercpa.com

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.

Kevin W. Haysen CPA & Associates

May 15, 2010

**MUIR BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2007**

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, 2007. 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 \$1,278,059 as of June 30, 2007. This represents an increase of \$151,658 for the year ended June 30, 2007. A summary of the District's assets and liabilities for each of these years is presented below:

<u>Total Assets and Liabilities</u>			
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Current Assets	\$1,158,476	\$741,075	\$417,401
Capital Assets	377,360	396,624	(19,264)
Total Assets	1,535,836	1,137,699	398,137
Total Liabilities	(257,777)	(11,298)	246,479
Total Net Assets	\$1,278,059	\$1,126,401	\$151,658
Unrestricted	\$900,699	\$729,777	\$170,922
Invested in Capital Assets	377,360	396,624	(19,264)
Total Net Assets	\$1,278,059	\$1,126,401	\$151,658

Current assets increased by \$417,401 due primarily to an increase in Cash and Cash Equivalents of \$395,757. The majority of this increase was due to the receipt of \$246,907 of grants from the Federal Emergency Management Agency (FEMA) to repair certain roads, drainage systems and bridges. The remainder was related to an excess of revenues over expenses of \$151,658.

Capital assets decreased due to depreciation expense of \$31,514 offset by acquisitions of \$12,250.

Liabilities increased because FEMA grants of \$246,907 not yet spent at June 30, 2007 were recorded as deferred revenue.

For the District as a whole, revenues and expenses for the years ended June 30, 2007 and 2006 are summarized in the following table:

<u>Total Revenues and Expenses</u>			
	<u>FY 2006-07</u>	<u>FY 2005-06</u>	<u>Increase (Decrease)</u>
Total Revenues	\$395,997	\$400,332	\$(4,335)
Total Expenses	(244,339)	(318,151)	(73,812)
Change in Net Assets	151,658	82,181	69,477
Beginning Net Assets	1,126,402	1,044,220	82,182
Ending Net Assets	\$1,278,059	\$1,126,401	\$151,658

The net decrease in revenues was the result of a decrease in grants and contributions of \$46,848 offset by increases in service charges and taxes of \$36,490 and interest income of \$14,500. Expenses decreased by \$73,812 due primarily to a decrease in grant expenditures of \$42,816 and a decrease in administrative and operations costs of \$16,376 for governmental activities and \$14,621 for business-type activities.

General Fund – The District uses the General Fund as its chief operating fund. As of June 30, 2007, fund balance of the General Fund was \$320,215. 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, 2007 and 2006:

General Fund Assets and Liabilities

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Cash and Investments	\$539,385	\$196,893	\$342,492
Other Assets	29,407	33,971	(4,564)
Total Assets	<u>568,792</u>	<u>230,864</u>	337,928
Liabilities	<u>(248,577)</u>	<u>(2,148)</u>	(246,429)
Fund Balance	<u>\$320,215</u>	<u>\$228,716</u>	\$91,499

The General Fund's cash and investments increased \$348,905 due primarily to an excess of revenues over expenditures of \$91,499 and receipt of \$246,907 of FEMA grants. Other assets decreased primarily from collection of a prior year grant receivable of \$8,400. Liabilities increased because FEMA grants of \$246,907 not yet spent at June 30, 2007 were recorded as deferred revenue.

Following is a summary of revenues and expenditures of the General Fund for the years ended June 30, 2007 and 2006:

General Fund Revenues and Expenditures

	<u>FY 2006-07</u>	<u>FY 2005-06</u>	<u>Increase (Decrease)</u>
Total Revenues	\$207,209	\$122,933	\$84,276
Total Expenditures	<u>(115,710)</u>	<u>(91,131)</u>	24,579
Net Change in Fund Balance	91,499	31,802	59,697
Beginning Fund Balance	228,716	196,914	31,802
Ending Fund Balance	<u>\$320,215</u>	<u>\$228,716</u>	\$91,499

Total General Fund revenues increased during the fiscal year by \$91,499 due to increases in Grant Income of \$40,323, Tax assessments of \$15,587 and Interest Income of \$30,325. Expenditures also increased by \$24,579 primarily as a result of increased Grant Expenditures of \$38,389 offset by decreases in virtually all administration and operating costs. As a consequence, fund balance increased by \$91,499 during fiscal year 2006-07.

There were no revisions during the year to the budget adopted for the General Fund. Actual revenues were \$96,502 over budget due primarily to unanticipated increases in grant income of \$31,891, tax assessments of \$25,180 and interest income of \$30,891 as noted above.

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

Water Fund Assets and Liabilities

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Current Assets	\$481,854	\$414,026	\$67,828
Capital Assets	199,687	205,864	(6,177)
Total Assets	681,541	619,890	61,651
Liabilities	(30,600)	(34,254)	3,654
Net Assets	<u>\$650,941</u>	<u>\$585,636</u>	<u>\$65,305</u>

Water Fund current assets increased during fiscal year 2006-07 due primarily to an excess of revenues over expenses of \$65,305. Capital assets decreased by \$6,177, with capital acquisitions of \$12,250 being reduced by current year depreciation of \$18,427.

The Water Fund’s revenues and expenses for fiscal years 2006-07 and 2005-06 were as follows:

Water Fund Revenues and Expenses

	<u>FY 2006-07</u>	<u>FY 2005-06</u>	<u>Increase (Decrease)</u>
Total Revenues	\$151,869	\$159,108	\$(7,239)
Total Expenses	(86,564)	(97,755)	(11,191)
Net Change in Net Assets	65,305	61,353	3,952
Beginning Net Assets	585,636	524,283	61,353
Ending Net Assets	<u>\$650,941</u>	<u>\$585,636</u>	<u>\$65,305</u>

Water Fund revenues decreased by \$7,239 as a result of a reduction of interest income of \$17,297 offset by an increase of \$10,058 in charges and taxes. Expenses decreased by \$11,191 due to decreases in payroll of \$2,874, water testing expenses of \$4,396, and administrative and operating costs of \$3,922.

Capital Asset Administration

The District’s investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$377,360 (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, water system, machinery and equipment, and roads. The total decrease in the District’s investment in capital assets for the current fiscal year was 5%. Major capital asset additions of \$12,250 were offset by depreciation expense of \$31,514.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in government finances. 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, 2007

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
ASSETS			
Cash and Investments	\$ 665,690	\$ 452,342	\$ 1,118,032
Interest Receivable	245		245
Receivables		29,512	29,512
Prepaid Expenses & Other	1,254		1,254
Inventory	9,433		9,433
Capital Assets, Net of Accumulated Depreciation of \$689,471	177,673	199,687	377,360
 Total Assets	 854,295	 681,541	 1,535,836
LIABILITIES			
Accounts Payable	170		170
Deferred Revenues	246,907		246,907
Deposits	1,500	9,200	10,700
 Total Liabilities	 248,577	 9,200	 257,777
NET ASSETS			
Invested in Capital Assets	177,673	199,687	377,360
Unrestricted	428,045	472,654	900,699
 Total Net Assets	 \$ 605,718	 \$ 672,341	 \$ 1,278,059

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

**MUIR BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Assets</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	\$ 128,799		\$ 59,982	\$ (68,817)		\$ (68,817)
Fire Operations	28,976		31,993	3,017		3,017
Recreational Activities		\$ 10,156		10,156		10,156
Total Governmental Activities	157,775	10,156	91,975	(55,644)		(55,644)
Business-Type Activities - Water	86,564	97,079			\$ 10,515	10,515
Total	<u>\$ 244,339</u>	<u>\$ 107,235</u>	<u>\$ 91,975</u>	<u>(55,644)</u>	<u>10,515</u>	<u>(45,129)</u>

General Revenues:

Property Taxes:					
Levied for General Purposes				106,180	106,180
Special Assessment				54,790	54,790
Investment Earnings				35,817	35,817
Transfers				3,704	(3,704)
Total General Revenues and Transfers				<u>145,701</u>	<u>51,086</u>
Change in Net Assets				90,057	61,601
Net Assets - July 1, 2006				<u>515,661</u>	<u>610,740</u>
Net Assets - June 30, 2007				<u>\$ 605,718</u>	<u>\$ 672,341</u>
					<u>\$ 1,278,059</u>

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

**MUIR BEACH COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Major Fund-	Non-Major Fund-	
	<i>General</i>	<i>Volunteer</i>	
	<i>Fund</i>	<i>Fireman's</i>	<i>Total</i>
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 539,385	\$ 126,305	\$ 665,690
Due From Water Fund	27,908		27,908
Receivables	245		245
Inventory		9,433	9,433
Other	1,254		1,254
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 568,792</u>	<u>\$ 135,738</u>	<u>\$ 704,530</u>
LIABILITIES			
Accounts Payable	\$ 170		\$ 170
Deferred Revenue	246,907		246,907
Deposits	1,500		1,500
Due to General Fund		\$ 6,507	6,507
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	248,577	6,507	255,084
FUND BALANCE - Unreserved	<u>320,215</u>	<u>\$ 129,231</u>	<u>449,446</u>
Total Liabilities and Fund Balance	<u>\$ 568,792</u>	<u>\$ 135,738</u>	<u>\$ 704,530</u>

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

Governmental fund balance	\$ 449,446
Capital assets, net of accumulated depreciation, are reported on the Statement of Net Assets but not in governmental funds	177,673
Interfund balances are reported in governmental funds but not on the Statement of Assets	<u>(21,401)</u>
Net Assets for Governmental Activities on the Statement of Net Assets	<u>\$ 605,718</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 - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Major Fund- General	Non-Major Fund- Volunteer Fireman's	Total
REVENUES			
Recreational Activities	\$ 10,156		\$ 10,156
Grants	46,798	\$ 7,600	54,398
Donations	11,507	1,961	13,468
Property Taxes	106,180		106,180
Interest	30,891	4,926	35,817
Event Income		16,132	16,132
Other	1,677		1,677
Total Revenues	207,209	30,619	237,828
EXPENDITURES			
Current:			
Accounting & Bookkeeping	13,443		13,443
Administration	15,876		15,876
Bank Service Charges	100		100
Bistro Expenses	568		568
Event cost	1,919		1,919
Grant Purchases	38,398	21,920	60,318
Insurance	5,117		5,117
Interest	25		25
Legal & Professional	3,659		3,659
Licenses, Memberships & Fees	629		629
Meetings	304	94	398
Office Expense	760	68	828
Payroll	19,526		19,526
Postage & Delivery	52	20	72
Printing & Photocopies	574	185	759
Repair & Maintenance	9,872		9,872
Supply	1,225		1,225
Telephone	1,319	390	1,709
Utilities	1,784		1,784
West Marin Expenses	560		560
Total Expenditures	115,710	22,677	138,387
Net Change in Fund Balances	91,499	7,942	99,441
Fund Balances, July 1, 2006	228,716	121,289	350,005
Fund Balances, June 30, 2007	\$ 320,215	\$ 129,231	\$ 449,446
RECONCILIATION OF GOVERNMENTAL FUND EXCESS OF REVENUES OVER EXPENDITURES TO CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES			
Governmental fund excess of revenues over expenditures			\$ 99,441
Depreciation expense is reported in the Statement of Activities but not in governmental funds			(13,087)
Decrease in Due from Water Fund			3,704
Change in Net Assets on Statement of Activities			\$ 90,058

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

**MUIR BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007**

	<u><i>Water Fund</i></u>
ASSETS	
Cash and Investments	\$ 452,342
Water Billing Receivables	29,512
Capital Assets, Net of Accumulated Depreciation of \$381,438	<u>199,687</u>
Total Assets	<u>681,541</u>
LIABILITIES	
Deposits	9,200
Due to General Fund	<u>21,400</u>
Total Liabilities	<u>30,600</u>
NET ASSETS	
Invested in Capital Assets	199,687
Restricted	<u>451,254</u>
Total Net Assets	<u><u>\$ 650,941</u></u>

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

Proprietary fund net assets	\$ 650,941
Interfund balances are reported in proprietary funds but not on the Statement of Net Assets	<u>21,400</u>
Net assets for business-type activities on the Statement of Net Assets	<u><u>\$ 672,341</u></u>

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, 2007

	<i>Water Fund</i>
OPERATING REVENUES	
Water Service Charges	\$ 76,449
OPERATING EXPENSES	
Accounting & Bookkeeping	5,565
Administration	10,320
Depreciation	18,427
Employee Benefits	5,130
Insurance	707
Licenses, Memberships & Fees	3,181
Office Expense	238
Payroll	22,152
Postage & Delivery	290
Repair & Maintenance	3,497
Supplies	151
Telephone	808
Travel	1,644
Utilities	4,200
Water Testing	10,254
Total Expenses	86,564
Operating Loss	(10,115)
CAPITAL CONTRIBUTIONS	
Consumption Surcharge	19,230
Special Assessment	56,190
Change in Net Assets	65,305
Net Assets, July 1, 2006	585,636
Net Assets, June 30, 2007	\$ 650,941
RECONCILIATION OF PROPRIETARY FUND CHANGE IN NET ASSETS	
TO CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES:	
Proprietary fund change in net assets	\$ 65,305
Decrease in Due to General Fund	(3,704)
Business-type activities change in net assets	\$ 61,601

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, 2007**

	<u><i>Water Fund</i></u>
<i>Cash Flows from Operating Activities:</i>	
Cash received from customers	\$ 76,499
Cash paid to employees for services	(22,152)
Cash paid to suppliers for goods and services	(45,985)
Cash Provided by Operating Activities	<u>8,362</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>	
Purchase of capital assets	(12,250)
Collection of consumption surcharge	19,230
Collection of special assessment	39,982
Cash Provided by Capital and Related Financing Activities	<u>46,962</u>
<i>Cash Flows from Non-Capital Financing Activity -</i>	
Increase in due to General Fund	<u>(3,704)</u>
Increase in cash and equivalents	51,620
<i>Cash and equivalents - July 1, 2006</i>	<u>400,722</u>
<i>Cash and equivalents - June 30, 2007</i>	<u><u>\$ 452,342</u></u>
 Reconciliation of Cash Provided by Operating Activities to Operating Loss	
Cash provided by operating activities	\$ 8,362
Increase in water security deposits payable	(50)
Depreciation	(18,427)
Operating loss	<u><u>\$ (10,115)</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, 2007

	<i>Actual</i>	<i>Budget</i>	<i>Variance - Positive (Negative)</i>
REVENUES			
Recreational Activities	\$ 10,156	\$ 14,800	\$ (4,644)
Grant - West Marin Funds	46,798	14,907	31,891
Donations	11,507		11,507
Property Taxes	106,180	81,000	25,180
Interest	30,891		30,891
Other	1,677		1,677
Total Revenues	207,209	110,707	96,502
EXPENDITURES - Current			
Accounting & Bookkeeping	13,443	14,300	857
Administration	15,876	11,810	(4,066)
Bank Service Charges	100		(100)
Bistro Expenses	568		(568)
Event cost	1,919	2,200	281
Grant Purchases	38,398		(38,398)
Insurance	5,117	5,621	504
Interest	25		(25)
Legal & Professional	3,659	4,750	1,091
Licenses, Memberships & Fees	629	1,100	471
Meetings	304		(304)
Office	760	561	(199)
Payroll	19,526	14,591	(4,935)
Postage & Delivery	52		(52)
Printing & Photocopies	574		(574)
Repair & Maintenance	9,872	7,500	(2,372)
Supply	1,225		(1,225)
Telephone	1,319		(1,319)
Utilities	1,784	2,600	816
West Marin Expenditures	560		(560)
Total Expenditures	115,710	65,033	(50,677)
Net Change in Fund Balance	91,499	45,674	45,825
Fund Balance, July 1, 2006	228,716	163,170	(65,546)
Fund Balance, June 30, 2007	\$ 320,215	\$ 208,844	\$ (111,371)

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

MUIR BEACH COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – ORGANIZATION

The 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."

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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

- *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 depreciated on a straight-line basis over 20 to 30 years for buildings, 15 to 40 years for machinery and equipment and over 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

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 2006-07 was \$6,840.

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, 2007.
- 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 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 1st and adopted by ordinance. Water surcharges are incorporated on the property tax bill, and therefore 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, 2007

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2007, consisted of the following:

Cash in bank and on hand	\$991,815
Cash with Marin County Treasurer	16,217
U.S. Treasury bills	110,000
Total cash	<u>\$1,118,032</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 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 4.91% to 4.96%. They mature on various dates during December 2007.

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 District 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, 2007**

NOTE 4 – CAPITAL ASSETS

Changes in fixed assets during the year were as follows:

	<i>Balance</i> <i>June 30, 2006</i>	<i>Additions</i>	<i>Balance</i> <i>June 30, 2007</i>
Governmental Activities			
Capital Assets Not Depreciated -			
Land & Easements	\$ 74,673		\$74,673
Capital Assets Being Depreciated:			
Buildings	277,962		277,962
Equipment	133,072		133,072
Total Depreciable Capital Assets	411,034		391,034
Less Accumulated Depreciation:			
Buildings	(195,332)	\$(10,190)	(205,522)
Equipment	(99,615)	(2,897)	(102,512)
Total Accumulated Depreciation	(294,947)	(13,087)	(308,034)
Total Depreciable Capital Assets, Net	116,087	(13,087)	103,000
Total Governmental Activities' Capital Assets	\$ 190,760	\$(13,087)	\$177,673
Business-type Activities			
Equipment	\$ 568,875	\$12,250	581,125
Less Accumulated Depreciation	(363,011)	(18,427)	(381,438)
Net Business-type Activities' Capital Assets	\$205,864	\$(6,178)	\$199,687

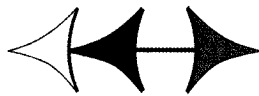
Depreciation related to governmental activities was charged to the general government function/program in the statement of activities and depreciation related to business-type activities was charged to the water function/program.

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, 2007, \$27,401 was due to the General Fund from the Water Fund as a result of payment of water expenses by the General Fund. A contribution of \$6,507 was due to the General Fund from the Volunteer Fireman's Fund. There are no repayment terms nor interest on these interfund balances.



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, 2007, and have issued our report thereon dated April 10, 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 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*.

3002 Seriana Court, Union City, CA 94587

(510) 324-1022

Fax (510) 471-6932

kharper@kevinharpercpa.com

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