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8/22/2018

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

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Muir Beach Community Services District, as of and for the year ended June 30, 2011, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Muir Beach Community Services District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Muir Beach Community Services District, as of June 30, 2011, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 24, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 17, 2017, except with respect to Note 8 for which the date is July XX, 2018.

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

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, 2011. 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 Combined 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 Combined 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 the 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 the 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 considered to be 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, 2011

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 the 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 the 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 \$69,245 this fiscal year, due primarily to donations.

General Fund expenditures were \$211,649, an increase of \$127,906 from the prior year due to the purchase of a fire truck.

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities	
	2011	2010
Current and other assets	\$ 623,939	\$ 698,775
Capital assets	432,675	294,588
Total assets	1,056,614	993,363
Current liabilities	6,357	113,855
Total liabilities	6,357	113,855
Net position:		
Invested in capital assets, net of related debt	432,675	294,588
Unrestricted	617,582	584,920
Total net position	\$ 1,050,257	\$ 879,508

The District's governmental net position amounted to \$1,050,257 as of June 30, 2011, an increase of \$170,749 from 2010. 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, 2011

The District's total net position as of June 30, 2011 comprised the following:

- Cash and investments of \$457,358. Accounts receivable of \$18,496.
- Capital assets of \$1,366,938, 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 \$18,807.
- Net position invested in capital assets, net of related debt of \$1,366,938, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- 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 \$457,047 of unrestricted net position as of June 30, 2011.

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	
	2011	2010
<u>Expenses</u>		
General government	\$ 70,824	\$ 74,888
Recreation	2,738	3,694
Total expenses	73,562	78,582
<u>Revenues</u>		
Program revenues:		
Grants and contributions	109,003	40,371
Charges for services	9,419	13,123
Total program revenues	118,422	53,494
General revenues:		
Property taxes	169,313	165,071
Interest income	947	872
Total general revenues	170,260	165,943
Total revenue	288,682	219,437
Change in net position	\$ 215,120	\$ 140,855

As Table 2 above shows, \$118,422, or 41% of the District's fiscal year 2011 governmental revenue, came from program revenues and \$170,260, or 59%, came from general revenues such as taxes and interest.

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

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2011

Business-type Activities

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

Table 3
Business-type Net Position at June 30

	Business-type 2011	Business-type 2010
Current assets	\$ 17,488	\$ 9,621
Capital assets	934,263	849,895
Total assets	951,751	859,516
Current liabilities	178,023	80,083
Total liabilities	178,023	80,083
Net position:		
Invested in capital assets, net of related debt	934,263	849,895
Unrestricted	(160,535)	(70,462)
Total net position	\$ 773,728	\$ 779,433

The net position of business-type activities decreased by \$5,705 in fiscal year 2011.

Table 4
Changes in Business-Type Net Position

	Business-Type Activities 2011	Business-Type Activities 2010
<u>Expenses</u>		
Water	\$ 154,627	\$ 155,738
Total expenses	154,627	155,738
<u>Revenues</u>		
Program revenues:		
Charges for services	104,551	144,323
Total program revenues	104,551	144,323
Change in net position	\$ (50,076)	\$ (11,415)

Muir Beach Community Services District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2011

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 2011, 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, 2011
<u>Governmental Activities</u>	
Land (not depreciated)	\$ 89,421
Buildings	440,184
Infrastructure	31,854
Equipment	235,467
Less: accumulated depreciation	(364,251)
Governmental activity capital assets, net	\$ 432,675
 <u>Business-type Activities</u>	
Equipment	\$ 1,358,466
Less: accumulated depreciation	(424,203)
Business-type activity capital assets, net	\$ 934,263

Detail on capital assets, current year additions and current year disposals can be found in Note 4.

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, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 457,358	\$ -	\$ 457,358
Account receivable	1,008	17,488	18,496
Internal balances	165,573	(165,573)	-
Non-depreciable capital assets	74,673	-	74,673
Depreciable capital assets, net	358,002	934,263	1,292,265
Total assets	<u>1,056,614</u>	<u>786,178</u>	<u>1,842,792</u>
<u>LIABILITIES</u>			
Accounts payable	<u>6,357</u>	12,450	18,807
Total liabilities	<u>6,357</u>	<u>12,450</u>	<u>18,807</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	432,675	934,263	1,366,938
Unrestricted net position	<u>617,582</u>	<u>(160,535)</u>	<u>457,047</u>
Total net position	<u>\$ 1,050,257</u>	<u>\$ 773,728</u>	<u>\$ 1,823,985</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, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position		<u>Total</u>
	<u>Expenses</u>	<u>Capital</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
		<u>Charges for Services</u>	<u>Grants & Contributions</u>			
Governmental activities:						
General government	\$ 70,824	\$ -	\$ -	\$ (70,824)	\$ -	\$ (70,824)
Recreation	2,738	9,419	-	6,681		6,681
FEMA	-	-	109,003	109,003		109,003
Total governmental activities:	<u>73,562</u>	<u>9,419</u>	<u>109,003</u>	<u>44,860</u>		<u>44,860</u>
Business-type activities - Water	154,627	104,551	-	-	(50,076)	(50,076)
Total	<u>\$ 228,189</u>	<u>\$ 113,970</u>	<u>\$ 109,003</u>	<u>44,860</u>	<u>(50,076)</u>	<u>(5,216)</u>
General revenues:						
Taxes:						
Property taxes				169,313	-	169,313
Interest income				947	-	947
Total general revenues				<u>170,260</u>	<u>-</u>	<u>170,260</u>
Change in net position				<u>215,120</u>	<u>(50,076)</u>	<u>165,044</u>
Net position - beginning of period				879,508	779,433	1,658,941
Prior period adjustment				<u>(44,371)</u>	<u>44,371</u>	<u>-</u>
Net position - beginning of period restated				835,137	823,804	1,658,941
Net position - end of period				<u>\$ 1,050,257</u>	<u>\$ 773,728</u>	<u>\$ 1,823,985</u>

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

Muir Beach Community Services District
BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2011

	General
<u>ASSETS</u>	
Assets:	
Cash and investments	\$ 457,358
Account receivable	1,008
Due from other fund	165,573
Total assets	\$ 623,939
 <u>LIABILITIES AND EQUITY</u>	
Liabilities:	
Accounts payable	\$ 6,357
Total liabilities	6,357
Fund equity:	
Fund balance	
Unassigned	617,582
Total fund balances	617,582
Total liabilities and equity	\$ 623,939

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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, 2011

Total Governmental Funds fund balances	\$ 617,582
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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.

432,675

Net Position of Governmental Activities

\$ 1,050,257

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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, 2011

	General
Revenue:	
Property taxes	\$ 169,313
Intergovernmental	109,003
Interest income	947
Charges for service - recreation	9,419
Total revenue	288,682
Expenditures:	
General government	53,576
Recreation	158,073
Total expenditures	211,649
Excess (deficiency) of revenue over (under) expenditures	77,033
Fund balance, beginning of period	584,920
Prior period adjustment	(44,371)
Fund balance, beginning of period	540,549
Fund balance, end of period	\$ 617,582

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, 2011

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	\$	77,033
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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		155,335
Depreciation expense is deducted from the fund balance		<u>(17,248)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>215,120</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, 2011

	<u>Business-type Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ -
Account receivable	17,488
Depreciable capital assets, net	<u>934,263</u>
Total assets	<u>951,751</u>
<u>LIABILITIES</u>	
Accounts payable	12,450
Due to other funds	<u>165,573</u>
Total liabilities	<u>178,023</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	934,263
Unrestricted net position	<u>(160,535)</u>
Total net position	<u>\$ 773,728</u>

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, 2011

Operating revenues:	
Water sales	<u>\$ 104,551</u>
Total operating revenues	<u>104,551</u>
Operating expenses:	
Salaries and benefits	81,098
Utilities	12,385
Treatment and testing	36,607
Depreciation	<u>24,537</u>
Total operating expenses	<u>154,627</u>
Operating income (loss)	<u>(50,076)</u>
Net position, beginning of period	779,433
Prior period adjustment	<u>44,371</u>
Net position, beginning of period restated	<u>823,804</u>
Net position, end of period	<u><u>\$ 773,728</u></u>

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, 2011

Cash flows from operating activities:	
Receipts from customers	\$ 108,906
Payments to suppliers	<u>-</u>
Net cash provided (used) by operating activities	<u>108,906</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(108,906)</u>
Net cash provided (used) by capital and related financing activities	<u>(108,906)</u>
Cash flows from investing activities:	
Interest earned	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of period	<u>-</u>
Cash and cash equivalents - end of period	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (50,076)
Prior period adjustment	44,371
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	24,537
Changes in certain assets and liabilities:	
Accounts receivable	(7,867)
Accounts payable	700
Due to other funds	<u>97,241</u>
Net cash provided (used) by operating activities	<u>\$ 108,906</u>

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

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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, 2011

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

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*.

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.

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.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. Basis of Accounting (concluded)

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.

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	

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.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 3 - CASH AND INVESTMENTS

Cash and investments at June 30, 2011 consisted of the following:

Demand deposit accounts	\$ 457,358
	<u>\$ 457,358</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

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The California Government Code establishes guidelines for qualification and participation by banks and savings and loan associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the law, the District deposits in qualified public depositories are to be totally insured. The market value of pledged securities used for collateral must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of at least 150% of the District's total deposits.

NOTE 4 - 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.

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 \$24,537 for the Water Fund and \$17,248 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

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 4 - CAPITAL ASSETS (concluded)

An analysis of fixed assets at June 30, 2011, is as follows:

<u>Governmental Activities</u>	Balance 6/30/10	Increase	Decrease	Balance 6/30/11
Capital assets, not being depreciated:				
Land	\$ 81,061	\$ 8,360	\$ -	\$ 89,421
Total capital assets, not being depreciated	<u>81,061</u>	<u>8,360</u>	<u>-</u>	<u>89,421</u>
Capital assets, being depreciated:				
Buildings	421,458	18,726	-	440,184
Infrastructure	-	31,854	-	31,854
Office furniture and equipment	<u>139,072</u>	<u>96,395</u>	<u>-</u>	<u>235,467</u>
Total capital assets, being depreciated	<u>560,530</u>	<u>146,975</u>	<u>-</u>	<u>707,505</u>
Less accumulated depreciation for:				
Buildings	(235,800)	(13,151)	-	(248,951)
Office furniture and equipment	<u>(111,203)</u>	<u>(4,097)</u>	<u>-</u>	<u>(115,300)</u>
Total accumulated depreciation	<u>(347,003)</u>	<u>(17,248)</u>	<u>-</u>	<u>(364,251)</u>
Total capital assets being depreciated – net	<u>213,527</u>	<u>129,727</u>	<u>-</u>	<u>343,254</u>
Capital assets – net	<u>\$ 294,588</u>	<u>\$ 138,087</u>	<u>\$ -</u>	<u>\$ 432,675</u>
<u>Business-type Activities</u>	Balance 6/30/10	Increase	Decrease	Balance 6/30/11
Capital assets, being depreciated:				
Infrastructure	\$ 1,249,561	108,905	-	\$ 1,358,466
Total capital assets, being depreciated	<u>1,249,561</u>	<u>108,905</u>	<u>-</u>	<u>1,358,466</u>
Less accumulated depreciation for:				
Infrastructure	<u>(399,666)</u>	<u>(24,537)</u>	<u>-</u>	<u>(424,203)</u>
Total accumulated depreciation	<u>(399,666)</u>	<u>(24,537)</u>	<u>-</u>	<u>(424,203)</u>
Total capital assets being depreciated – net	<u>849,895</u>	<u>84,368</u>	<u>-</u>	<u>934,263</u>
Capital assets – net	<u>\$ 849,895</u>	<u>\$ 84,368</u>	<u>\$ -</u>	<u>\$ 934,263</u>

NOTE 5 - INTERFUND ACTIVITY

As of June 30, 2011, \$165,573 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 these interfund balances.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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 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.

Invested in Capital Assets, net of related debt, 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.

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.

Muir Beach Community Services District
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - NET POSITION AND FUND BALANCE (concluded)

B. Fund Equity (concluded)

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.

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 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment was to correct an operating cost allocation error between the general and water fund of the District of \$44,371, which was reported in the previously issued basic financial statements for the year ended June 30, 2011. The prior period adjustment also includes changes to the present period since the report has been originally issued. Changes to the operating expense account classifications are as follows:

	Originally Reported	Revised	Difference
Operating expenses:			
Salaries and benefits	\$ 81,098	\$ 34,503	\$ 46,595
Utilities	12,385	7,977	4,408
Treatment and testing	36,607	43,239	(6,632)
Depreciation	64,604	24,537	40,067
Total operating expenses	\$ 194,694	\$ 110,256	\$ 84,438

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, 2011
(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Property taxes	\$ 124,000	\$ 124,000	\$ 169,313	\$ 45,313
Intergovernmental	8,400	8,400	109,003	100,603
Charges for service- recreation	10,600	10,600	9,419	(1,181)
Interest and other	30,800	30,800	947	(29,853)
Total revenue	173,800	173,800	288,682	114,882
Expenditures:				
General government	38,565	38,565	53,576	(15,011)
Recreation	175,335	175,335	158,073	17,262
Total expenditures	213,900	213,900	211,649	2,251
Excess (deficiency) of revenue over (under) expenditures	\$ (40,100)	\$ (40,100)	77,033	\$ 117,133
Fund balance, beginning of period			584,920	
Prior period adjustment			(44,371)	
Fund balance, beginning of period			540,549	
Fund balance, end of period			\$ 617,582	