

**BOLINAS COMMUNITY PUBLIC
UTILITY DISTRICT
(A California Public Utility District)**

**BASIC
FINANCIAL STATEMENTS**

**For the Years Ended
June 30, 2012 and 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bolinas Community Public Utility District
Bolinas, California

We have audited the accompanying basic financial statements of the Bolinas Community Public Utility District (a California special district), for the fiscal years ended June 30, 2012 and 2011, as listed in the table of contents. These basic financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 6 and page 23 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 audits 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bolinas Community Public Utility District's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Doran & Associates

November 30, 2012

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
(A California Public Utility District)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2012 and 2011

General Overview

The Bolinas Community Public Utility District ("BCPUD")'s primary objective is to deliver a range of cost-effective services to the residents of Bolinas. These include, but are not limited to, municipal drinking water service; wastewater collection and treatment; solid waste management; drainage and flood control services.

BCPUD's strategic direction is set within the requirements of the California Public Utilities Code, Division 7, *The Public Utility District Act*.

This discussion and analysis of the Bolinas Community Public Utility District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2012 and 2011. Please review it in conjunction with the basic financial statements and notes to the statements that begin on page 10.

Using This Annual Report

The first statement in the audit report, on page 7 is titled Balance Sheets – Proprietary Enterprise Fund ("Balance Sheet"). The second statement, on page 8, is titled Statements of Revenues, Expenses and Fund Equity – Proprietary Enterprise Fund ("Revenue and Expenses"). The third statement, on page 9, is titled Statements of Cash Flows – Proprietary Enterprise Fund ("Cash Flow Statement"). Following these statements are the Notes To Financial Statements ("Notes"), which provide explanations of specific items and sections of the report, as well as additional detail in tabular form. The Notes are integral to the Financial Statements.

The Balance Sheets can be seen as a snapshot of BCPUD's financial status effective June 30, 2012 and June 30, 2011. They indicate the amount of cash and cash equivalents the District had on hand at the end of the fiscal period, as well as the value of the fixed assets owned by the District (buildings, equipment, land, pipelines, dams, etc.). They also show total liabilities, including bills that were due at the end of the fiscal period, as well as total long-term debt. Finally, they show total equity, or the net worth of the District. Assets equal Liabilities plus Fund Equity.

The Balance Sheets contains references to the Notes. The Notes provide additional detail and/or explanations for line items in the Balance Sheets. For example, on the Balance Sheets, under Liabilities and Fund Equity, there is a line item: Long-term debt, net of current portion (Note 6). The line item shows the total long-term debt, net of current portion, for the fiscal periods ended June 30, 2012 and June 30, 2011. Note 6 breaks the line item into its components and includes a brief explanation of each debt.

Revenue and Expenses shows the specific sources of income for the past fiscal year, and the specific operational targets of expenses. It also indicates that BCPUD had a Net Operating Income of \$54,127 for the period ended June 30, 2012.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2012 and 2011

The Cash Flow Statements provide a detailed picture of adjustments to and changes in the District's cash position for the fiscal periods. The first line item under Reconciliation Of Net Operating Income To Net Cash Provided By Operating Activities shows the Net Income figure from Revenue and Expenses. That can also be derived from the Cash Flow Statements' two line items – Net Cash Provided by Operating Activities minus Total Adjustments.

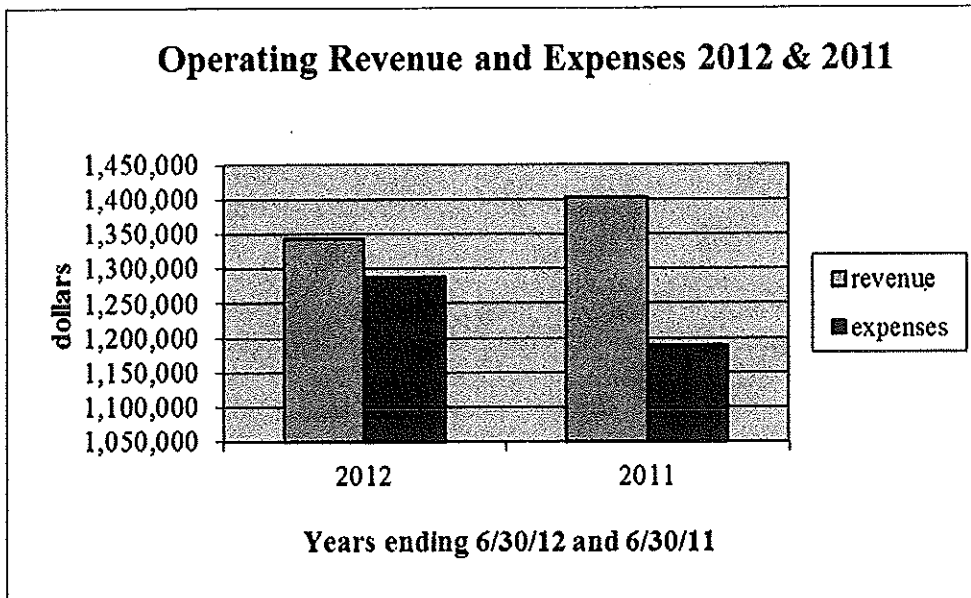
Financial Highlights

- The District's revenue (see page 8, Revenues and Expenses) declined by approximately \$60,000 as compared to the amount reported in the District's audited financial statements for the fiscal year ended 2011 due primarily to the fact that the district did not receive any grant funds or customer capital project reimbursements as it did in the prior fiscal year as detailed more fully in Note 8 on page 19.
- Plant expenses for the District (see page 8, Revenue and Expenses) declined from \$145,648 for the fiscal year ended 2011 to \$129,361 for the fiscal year ended 2012 due to low treatment plant maintenance costs, but Other expenses increased from \$35,578 for the fiscal year ended 2011 to \$92,168 for the fiscal year ended 2012 as a result of a significant number of building repairs and vegetation management projects on district properties. Finally, the district's employee benefits costs rose by approximately \$22,000 for the fiscal year ended 2012 as compared to the fiscal year ended 2011 due to rising health insurance costs. It should be noted that the district plans to implement health insurance provider changes during fiscal year 2012-2013 that will result in health insurance cost reductions.
- Depreciation expense was \$225,923 for the fiscal year ended June 30, 2012. See Note 4 of the financial statements on page 14 for detail of non-depreciable assets (land), and depreciable assets (plant, system and other equipment, and vehicles) with additions during the year, and accumulated depreciation expense. Note 4 also reflects the fact that the District completed a remodel of its office building during the fiscal year ended 2012 to improve accessibility for persons with disabilities.
- The District realized Other Revenue of \$61,493 in the form of rebates issued to the District pursuant to the California Solar Initiative as a result of the District's installation during the fiscal year ended 2009 of photovoltaic arrays at its water treatment and wastewater treatment sites, as more fully explained in Note 8 on page 19 of the financial statements.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2012 and 2011

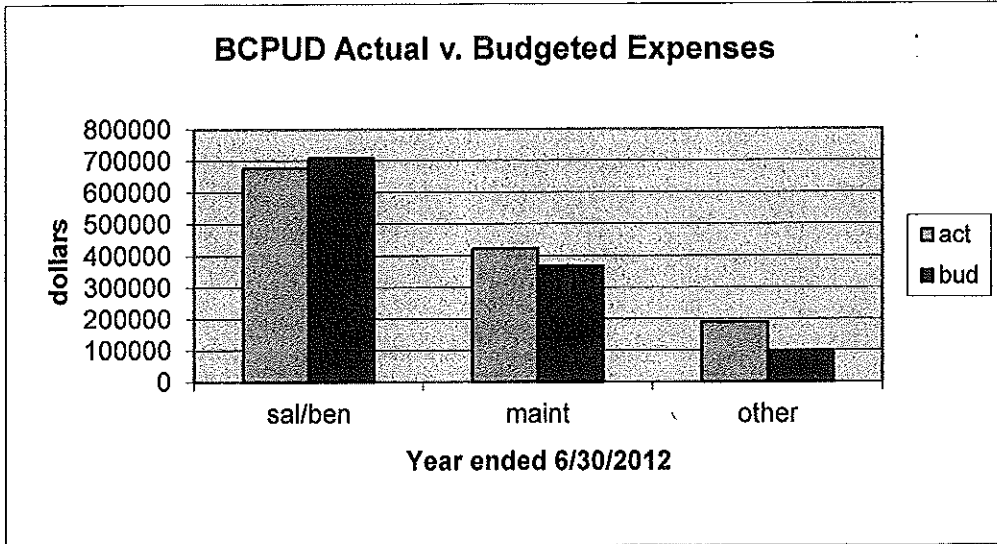
- The chart below compares total operating revenue and expenditures for the fiscal years ended June 30, 2012 and June 30, 2011 and illustrates the District's operating income of \$54,127 for the fiscal year ended June 30, 2012:



- The next two charts below show actual versus budgeted expenses and actual versus budgeted revenue, respectively, for the fiscal year ended June 30, 2012. The expenses chart illustrates that with respect to salaries and benefits, as well as maintenance expenses, BCPUD was at or very close to budget for the year. As for other expenses (which include fees for professional services, contractor fees, director fees, and office expenses, among other things), BCPUD exceeded budgeted expenses primarily due to hazardous tree removal and other vegetation management work conducted on its properties.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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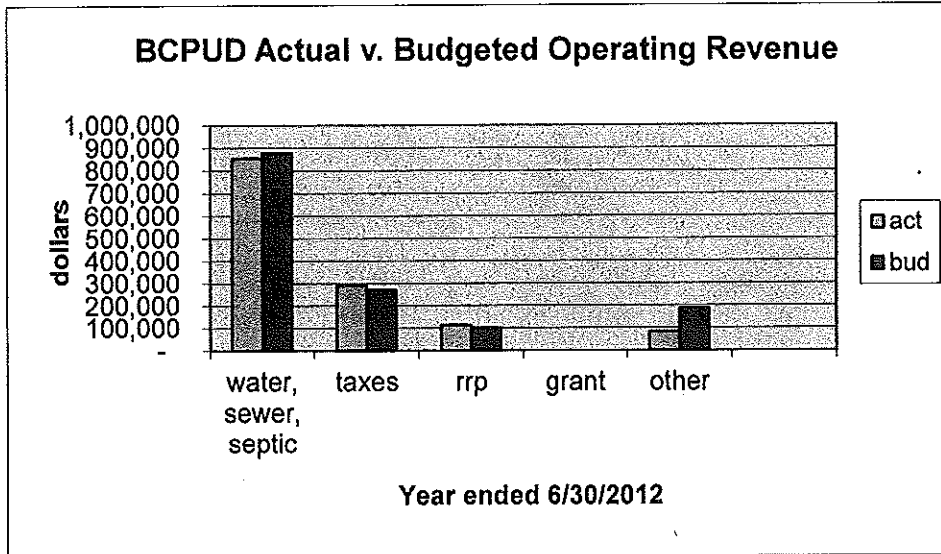
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2012 and 2011



- The revenue chart reveals that the District's actual revenue for the fiscal year ending June 30, 2012 (\$1,342,815), came in slightly below the budget projection (which was \$1,432,758). The chart below indicates that revenue from water, sewer and septic services and property taxes was very close to projections, whereas other income was lower than projected because interest earned on the district's investments was very poor due to the ongoing weak interest rate environment. Annual charges for water and sewer service, and for the District's ongoing efforts to improve drainage/flood control and onsite wastewater system functioning, are placed on the Marin County property tax bill and this revenue comprises 80-90% of total water, sewer and septic revenue.
- Revenue generated by the Resource Recovery Project (the Resource Recovery Project is a paid disposal site for green waste (yard and tree trimmings) came in above budget by \$12,258, or approximately 12%, due to robust product sales and higher-than-anticipated disposal fee receipts. In addition to fees from green waste disposal, the Resource Recovery Project receives income from the sale of finished mulch and compost.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2012 and 2011



- As detailed in Note 6 (Long-Term Debt), the California Department of Public Health has approved a \$365,000 loan to the BCPUD from the Safe Drinking Water State Revolving Fund at an interest rate of 2.3035% per annum to finance a water distribution system improvement project to relocate one of the district's water mains threatened by bluff erosion.

This financial report is designed to provide a general overview of the District's fiscal situation for all those with an interest in the government's finances. Questions concerning any of the information in this report, or requests for additional financial information should be addressed to: General Manager, BCPUD, P.O. Box 390, Bolinas, CA 94924

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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BALANCE SHEETS - PROPRIETARY ENTERPRISE FUND
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash, cash equivalents and investments (Notes 1 and 2)	\$ 1,959,815	\$ 1,993,367
Accounts receivable (Note 1)	38,302	52,505
Prepaid expenses	21,109	17,951
Grants receivable	-	19,000
Total current assets	2,019,226	2,082,823
Loan receivable from State of California (Note 3)	18,448	18,448
Capital assets, net of accumulated depreciation of \$5,072,839 at 2012 and \$4,896,012 at 2011 (Notes 1 and 4)	4,106,312	4,199,293
Construction in progress (Note 4)	162,037	152,186
Loan fees, net of accumulated amortization of \$52,005 at 2011 and \$44,547 at 2011	71,228	78,686
Total assets	\$ 6,377,251	\$ 6,531,436
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,135	\$ 77,183
Current portion of bonds payable (Note 5)	78,938	76,938
Current portion of long-term debt (Note 6)	71,579	69,292
Accrued interest payable	5,329	4,254
Accrued salaries and vacation	43,720	49,137
Fiscal agency funds	3,182	3,182
Total current liabilities	219,883	279,986
Bonds payable, net of current portion (Note 5)	630,312	709,250
Long-term debt, net of current portion (Note 6)	451,618	488,111
Deferred revenue	-	7,000
Total liabilities	1,301,813	1,484,347
Fund equity (Note 1):		
Invested in capital assets, net of related debt	2,945,093	2,934,388
Restricted for payment of debt service	25,379	10,057
Unrestricted	2,104,966	2,102,644
Total fund equity	5,075,438	5,047,089
Total liabilities and fund equity	\$ 6,377,251	\$ 6,531,436

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

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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**STATEMENTS OF REVENUES, EXPENSES AND FUND EQUITY-
PROPRIETARY ENTERPRISE FUND**
For the years ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUE		
Water, sewer and septic service	\$ 854,420	\$ 775,054
Property taxes and special assessments (Note 7)	294,167	276,515
Resource recovery revenue	112,562	77,586
Other revenue (Note 8)	<u>81,666</u>	<u>273,273</u>
Total operating revenue	<u>1,342,815</u>	<u>1,402,428</u>
OPERATING EXPENSES		
Salaries	473,672	460,728
Employee benefits	202,963	180,954
Insurance	24,098	22,645
Plant expenses	129,361	145,648
Power and fuel	30,441	30,988
Office expense	36,221	33,749
Trucks	11,904	7,549
Professional fees	46,937	41,785
Directors' fees	15,000	15,000
Depreciation (Note 4)	225,923	213,147
Other expenses	<u>92,168</u>	<u>35,578</u>
Total operating expenses	<u>1,288,688</u>	<u>1,187,771</u>
Net operating income	<u>54,127</u>	<u>214,657</u>
OTHER INCOME AND (EXPENSES)		
Amortization	(7,458)	(7,458)
Interest income	3,709	8,818
Interest expense	<u>(22,029)</u>	<u>(31,404)</u>
Total other income and (expenses)	<u>(25,778)</u>	<u>(30,044)</u>
Change in fund equity	28,349	184,613
Total fund equity, beginning of year	<u>5,047,089</u>	<u>4,862,476</u>
Total fund equity, end of year	<u>\$ 5,075,438</u>	<u>\$ 5,047,089</u>

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

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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STATEMENTS OF CASH FLOWS - PROPRIETARY ENTERPRISE FUND
For the years ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,275,352	\$ 1,368,333
Cash paid to employees	(682,052)	(629,943)
Cash paid to suppliers	(355,670)	(298,880)
Net cash provided by operating activities	<u>237,630</u>	<u>439,510</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>3,709</u>	<u>8,818</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Acquisition and construction of capital assets	(132,942)	(164,525)
Change in construction in progress	(9,851)	(145,597)
Payments on long-term debt	(111,144)	(295,914)
Interest paid on long-term debt	(20,954)	(37,851)
Net cash used by capital and related financial activities	<u>(274,891)</u>	<u>(643,887)</u>
Decrease in cash and cash equivalents	(33,552)	(195,559)
Cash and cash equivalents, beginning of year	<u>1,993,367</u>	<u>2,188,926</u>
Cash and cash equivalents, end of year	<u>\$ 1,959,815</u>	<u>\$ 1,993,367</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ <u>54,127</u>	\$ <u>214,657</u>
Changes in assets and liabilities:		
Depreciation	225,923	213,147
Accounts receivable	14,203	(8,095)
Grants receivable	19,000	(19,000)
Prepaid expenses	(3,158)	(1,904)
Accounts payable and accrued expenses	(60,048)	35,966
Accrued salaries and vacation	(5,417)	11,739
Deferred revenue	(7,000)	(7,000)
Total adjustments	<u>183,503</u>	<u>224,853</u>
Net cash provided by operating activities	<u>\$ 237,630</u>	<u>\$ 439,510</u>

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

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of District - The Bolinas Community Public Utility District (the District) was organized in 1967 by taxpayers and residents of the District pursuant to the Health and Safety Code of the State of California. Its function is to provide water and sewer service to the community and maintain programs to fulfill this obligation. Members of the board of directors are elected to four year terms and serve as the District's local governing body. The District is subject to the laws, regulations and guidelines as set forth by the State Controller's Office. Major sources of revenue for the District include water and sewer service charges and property taxes.

The Reporting Entity - The financial statements consist of the District's proprietary enterprise fund, which consists of the maintenance, operation and expansion of the water and sewer public utility system. These services are proprietary in nature and are maintained as an enterprise fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting - The proprietary enterprise fund financial statements required by GASB No. 34 are reported using the "*flow of economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Balance Sheet. The Statement of Revenues, Expenses, and Fund Equity presents changes in fund equity. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

The District follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

Fund Equity -The proprietary enterprise fund financial statements utilize a fund equity presentation. Fund equity categories are as follows:

- Net Investment in Capital Assets - This component of fund equity consists of capital assets; net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- Restricted Fund Equity - This component of fund equity consists of amounts with constraints placed on fund equity use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fund Equity (Continued) -

- Unrestricted Fund Equity - This component of fund equity consist of fund equities that do not meet the definition of restricted or net investment in capital assets. This may include amounts Board-designated to be reported as being held for a particular purpose.

Budgets and Budgetary Accounting - The District adopts an annual budget for the Enterprise Fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expense, and non-operating income and expense items are not considered.

Accounts Receivable - The District bills the local residents for water usage on a quarterly basis and bills for resource recovery revenue on a monthly basis. Water customers delinquent for over one billing period receive shut-off notices and face discontinuance of their services. The District has also billed for the reimbursement of a portion of capital project work directly benefitting certain projects and individuals. Management believes all amounts are collectible and, accordingly, there is no provision for uncollectible accounts reflected herein.

Capital Assets - Capital assets in excess of \$2,000 are stated at cost of acquisition. Significant improvements or betterments to existing assets are capitalized; maintenance and repairs that do not extend the useful lives of the assets are charged to operations. Costs incurred during the construction phase of a project, including interest paid, are included in the construction in progress account and upon completion of the project are transferred to capital assets.

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Balance Sheet - Proprietary Enterprise Fund as a reduction in the book value of capital assets. Depreciation is charged as an operating expense on the Statements of Revenue, Expenses and Fund Equity - Proprietary Enterprise Fund.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Limited Risk Pooled Self-Insurance - The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority. Through this Association the District has acquired liability, public officials' liability, property and workers' compensation insurance of which the first layer of coverage is pooled self-insurance. All claims above the first layer are covered by Joint Powers acquired insurance policies and the District's liability is limited to the premiums paid out plus a self-insured retention which is similar to a deductible.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting Pronouncements - Effective July 1, 2003, the District adopted the provisions of GASB No. 34, issued in June 1999; GASB No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* ("GASB No. 37") issued in June 2001; and GASB No. 38, *Certain Financial Statement Disclosures* ("GASB No. 38") issued in June 2001.

The Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" establishes a new financial reporting model for state and local governments. This new model requires that at a minimum the basic financial statements of a government include: (1) Management's Discussion and Analysis (MD&A) as a component of Required Supplementary Information (RSI), (2) both government-wide financial statements and fund financial statements for entities other than enterprise funds, (3) notes to the financial statements, and (4) RSI other than MD&A.

Subsequent Events - Subsequent events have been evaluated through November 30, 2012, which is the date the financial statements were available to be issued.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District maintains a fiscal services and deposit account with California Bank and Trust, several money market and checking accounts with the Bank of Marin, several certificates of deposit held by banks participating in the Bank of Marin's CDARs program, and all other funds are on deposit with the County of Marin investment pool, which is entirely insured or collateralized by the custodial bank with pooled securities designating the County of Marin as beneficiary in case of default. Cash and investments with the County Treasurer are invested pursuant to investment policy guidelines established by the County Treasurer. The objectives of the policy are, in order of priority, legality of investment, safety of principal, liquidity and yield. The Marin County Treasurer's Pool is not SEC-registered, but is invested in accordance with California State Government Code, and the Marin County Treasurer's Investment Policy. California State Government Code requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Oversight Committee reviews the monthly investment report prior to presentation to the Board of Supervisors and causes an audit of investments to occur annually. Additionally, the Investment Pool is rated by Fitch Ratings and has a "AAA/VI+" rating.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

All pooled cash is entirely collateralized. The County of Marin's investment pool consists of Treasury Bills, Federal Agency Securities, Negotiable Certificates of Deposit, Bankers Acceptances, and Commercial Paper. There are no repurchase agreements, investments in foreign currency, or derivative financial products.

These funds have been segregated into various accounts and, at June 30, 2012 and 2011, the balances were as follows:

	2012	2011
General operating fund	\$ 88,168	\$ 240,482
Investment fund	2,785	2,779
Bond and loan redemption funds	2,633	10,057
Designated reserve fund	583,201	431,846
FEMA flood repair fund	76	66,878
Total cash held by County	676,863	752,042
CDPH loan reserve	22,746	-
Payroll account	-	11,103
Other cash accounts, including certificates of deposit	1,260,207	1,230,222
Total cash	\$ 1,959,816	\$ 1,993,367

Cash deposits held at financial institutions can be categorized according to three levels of risk:

- 1) Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.
- 2) Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- 3) Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1.

NOTE 3 LOAN RECEIVABLE FROM STATE OF CALIFORNIA

During the year ended June 30, 2010, the State of California elected to borrow local property tax revenues from cities, counties and special districts as allowed under Prop 1A of 2004. The County of Marin calculated a loan amount from the District in the amount of \$18,448. The calculation was based on 8% of property tax revenues, and was assessed to all Marin County cities and special districts. The funds are expected to be repaid to the District within a three-year period. There is no allowance for doubtful accounts, as management believes the amount will be collected in full, and consideration of a present value discount was de minimus. The balance of this receivable as of June 30, 2012 and 2011 was \$18,448.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 4 CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2012 and 2011:

	Non- Depreciable Capital Assets	<u>Depreciable Capital Assets</u>		<u>Total</u>
	<u>Land</u>	<u>Building and System Equipment</u>	<u>Vehicles and Other Equipment</u>	
<u>Capital assets, at cost</u>				
Balance, June 30, 2010	\$ 328,006	\$ 8,142,218	\$ 460,556	\$ 8,930,780
Additions	-	160,516	4,009	164,525
Balance, June 30, 2011	328,006	8,302,734	464,565	9,095,305
Additions	-	131,622	1,320	132,942
Disposals	-	-	(49,096)	(49,096)
Balance, June 30, 2012	<u>328,006</u>	<u>8,434,356</u>	<u>416,789</u>	<u>9,179,151</u>
<u>Accumulated depreciation</u>				
Balance, June 30, 2010	-	4,423,562	259,303	4,682,865
Depreciation expense	-	208,285	4,862	213,147
Balance, June 30, 2011	-	4,631,847	264,165	4,896,012
Depreciation expense	-	209,315	16,608	225,923
Disposals	-	-	(49,096)	(49,096)
Balance, June 30, 2012	<u>-</u>	<u>4,841,162</u>	<u>231,677</u>	<u>5,072,839</u>
Capital assets, net	<u>\$ 328,006</u>	<u>\$ 3,593,194</u>	<u>\$ 185,112</u>	<u>\$ 4,106,312</u>

The District renovated the office to improve accessibility for persons with disabilities. The total spent on construction in progress as of June 30, 2011, was \$60,232. The work was completed and transferred to capitals assets during the year ended June 30, 2012.

The District has also commenced a multi-year plan to replace all of the District's water hydrants on its distribution system, as well as conduct an evaluation of the pond facilities at its wastewater treatment plant. As of June 30, 2012 and 2011, \$162,037 and \$91,954, respectively, has been expended on these and other capital projects in process undertaken during the year. It is impracticable to estimate the total costs of these projects, and no amounts have been accrued for future construction and project costs.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 5 BOND INDEBTEDNESS

On August 1, 2008, the District received funds from Municipal Finance Corporation for two issuances of Clean Renewable Energy Bonds (CREBs). These funds were used for the purchase and installation of solar arrays at the District's water treatment plant and at the wastewater treatment facility. The loan agreements require annual installment payments of principal-only beginning December 16, 2008, with the last payment due August 1, 2023.

The District's outstanding bond debt as of June 30, 2012 and 2011, consisted of the following:

	<u>2012</u>			<u>2011</u>
	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>	<u>Total Only</u>
5% General obligation, sewer treatment bonds; issued 1973, maturing 2014, principal reduction and interest paid annually.	\$ 20,000	\$ 21,000	\$ 41,000	\$ 60,000
5% General obligation, water bonds; issued 1978, maturing 2018, principal reduction and interest paid annually.	7,000	38,000	45,000	51,000
CREBs wastewater project interest-free bonds, issued 2008, maturing 2023, principal reduction in the amount of \$14,125 paid annually.	14,125	155,375	169,500	183,625
CREBs water treatment interest-free bonds, issued 2008, maturing 2023, principal reduction in the amount of \$37,813 paid annually.	<u>37,813</u>	<u>415,937</u>	<u>453,750</u>	<u>491,563</u>
	<u>\$ 78,938</u>	<u>\$ 630,312</u>	<u>\$ 709,250</u>	<u>\$ 786,188</u>

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
(A California Public Utility District)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 5 BOND INDEBTEDNESS (Continued)

Principal payments on the sewer and water bonds for the succeeding five years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Sewer</u>	<u>Water</u>
2013	\$ 20,000	\$ 58,938
2014	21,000	58,938
2015	-	58,938
2016	-	59,938
2017	-	59,938
Thereafter	<u>-</u>	<u>371,560</u>
	<u>\$ 41,000</u>	<u>\$ 668,250</u>

The annual debt service on the general obligation bonds is funded through an annual county-wide tax levy. The annual debt service on the CREBs bonds is funded through savings in power costs, and through California Solar Initiative rebates (see Note 8).

NOTE 6 LONG-TERM DEBT

The District's long-term debt as of June 30, 2012 and 2011, consisted of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>	<u>Total Only</u>
California Statewide Communities Development Authority: \$373,403 loan balance was refinanced on August 1, 2008; replaced with a loan from City National Bank for \$152,132 payable in semi-annual installments of \$15,545 over 5.5 years at 4% per annum.	\$ 29,009	\$ 30,180	\$ 59,189	\$ 87,071

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 6 LONG-TERM DEBT (Continued)

	2012			2011
	Current Portion	Long-Term Portion	Total	Total Only
<p>California Department of Public Health (CDPH) loan approved for a maximum amount of \$365,000. Subsequent to year-end, the District requested an increase of the maximum amount to \$485,000, but no amendment has been signed as of the report date. The loan funds are part of the Safe Drinking Water State Revolving Fund, and are to be used to pay for one of the District's water construction projects. The estimated project completion date is December 31, 2013, at which time the final principal amount will be determined and will consist of the total of all eligible costs claimed by the District. Interest is 2.3035% per annum; interest only payments begin after payment of the first claim by CDPH to the District. Principal and interest payments will begin upon completion of the project and will be due in semiannual payments for 20 years.</p>	-	35,086	35,086	-
<p>California Safe Drinking Water Project, State of California, Department of Water Resources: authorized maximum \$1,017,450 loan as of June 30, 2001. Semi-annual payments of principle and interest at 2.781% per annum over 30 years.</p>	42,570	386,351	428,921	470,332
	\$ 71,579	\$ 451,617	\$ 523,196	\$ 557,403

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 6 LONG-TERM DEBT (Continued)

The following is a schedule of the maturities of the notes payable for the succeeding five years and thereafter:

<u>Year ending June 30,</u>		
2013	\$	71,579
2014		109,028
2015		44,987
2016		46,246
2017		46,000
Thereafter		<u>205,356</u>
	\$	<u><u>523,196</u></u>

NOTE 7 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 prior March 1. Taxes are due in two equal installments on December 10 and April 10 following the levy date.

Under California law, secured property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes are pooled and then allocated to the District based upon complex formulas.

Unsecured property taxes are levied throughout the year beginning March 1 on the assessed value of personal property as of March 1. For unsecured property tax bills issued between March 1 and June 30, the amount is payable by August 31. For unsecured property tax bills issued after June 30, the amount of the tax is due 30 days after the bill is issued, but no later than February 28/29.

Special assessment charges are incorporated on the property tax bill, and therefore are attached as an enforceable lien on real property located within the District. Special assessment charges are due in two installments on December 10 and April 10 following the assessment date. The special assessments are collected and distributed to the District by the County of Marin.

Effective July 1, 1993, the District, in addition to other districts, entered into an agreement (hereafter known as the "Teeter Plan") with the County of Marin whereby the County agreed to purchase without recourse all previously outstanding (net of all adjustments) secured delinquent property tax and special assessment receivables, penalties and interest of the districts as of June 30, 1993. Additionally, the County agreed to advance each district its share of the annual gross levy of secured property taxes and special assessments (net of adjustments) billed through the County's Tax Collector for the fiscal year ended June 30, 1996, and for each subsequent fiscal year of the agreement. In consideration, the District gives the County of Marin its right to penalties and interest on delinquent property tax receivables and actual proceeds collected. This agreement is still operational as of the fiscal years ended June 30, 2012 and 2011.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 8 OTHER REVENUE

Other revenue consisted of the following for the years ended June 30, 2012 and 2011:

	2012	2011
Rental income	\$ 5,580	\$ 5,680
CSI solar rebate income *	61,493	55,848
Project grants	-	70,424
Customer capital project reimbursement **	-	97,300
Other	14,593	44,021
	\$ 81,666	\$ 273,273

* The District was approved to participate in the California Solar Initiative (CSI) in January 2009, after the installation of photovoltaic (solar) panels. The District will receive monthly rebates for a period of five years beginning March 2009. The amount of the rebates is a maximum of \$255,167, and is calculated based on the District's monthly energy production.

** The District entered into an agreement with two customers to extend a water main beyond its then-current location via a public right-of-way to their properties. One of the customers agreed to reimburse the District for their proportional share of this work, which totaled \$93,588 as of June 30, 2011. In accordance with the agreement, the new water main is the sole property and responsibility of the District.

NOTE 9 DEFERRED COMPENSATION PLAN

The District provides a deferred compensation plan (the "Plan") according to Internal Revenue Code Section 457. The Plan is available to all employees and permits the deferral of a portion of the participating employees' salaries. Deferred amounts may not be withdrawn until termination, retirement, death or unforeseeable emergency. Prior to August 20, 1996, the assets of the Plan were owned by the District and were subject to claims from general creditors. On August 20, 1996, President Clinton signed into law changes affecting Internal Revenue Code Section 457. New plans, which have been amended to comply with the new provisions, require the plans to hold the assets in trust for the exclusive benefit of the participant and their beneficiaries. The District has an obligation to ensure that the Plan's funds are prudently managed and invested. Participating employees may direct Plan investments to several categories of investment mutual funds provided by the Plan's trustee. Since the assets of the Plan are no longer available to general creditors, the respective assets and liabilities have been removed from these financial statements.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 10 **DEFINED BENEFIT PENSION PLAN**

Plan Description - The Bolinas Community Public Utility District's defined benefit pension plan, The Miscellaneous Plan of the Bolinas Community Public Utility District (MPBCPUD), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The MPBCPUD is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or other local methods. CalPERS issues a separate comprehensive annual financial report, which can be obtained directly from CalPERS.

Funding Policy - Active plan members in the MPBCPUD are required to contribute 7% of their annual covered salary. The Bolinas Community Public Utility District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 is 11.034% and for fiscal year 2011-2012 was 10.970% for miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. During the years ended June 30, 2012 and 2011, the District contributed \$42,409 and \$40,633, respectively, to the plan.

Risk Pool - Beginning in the year ended June 30, 2005, CalPERS required the District to participate in a risk pool. Mandated pooling is effective with the determination of the contribution rate for 2011/2012 and 2010/2011. The data that follows is that of the risk pool in which the District participates and for the first year the employer contribution rate for the risk pool is the same as the District's rate.

GASB 27 Risk Pool Information- Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010, to June 30, 2012, has been determined by an actuarial valuation of the plan as of June 30, 2010. In order to calculate the dollar value of the ARC as of June 30, 2012 and 2011, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the fiscal year.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 10 DEFINED BENEFIT PENSION PLAN (Continued)

GASB 27 Risk Pool Information (Continued)- Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into the CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Each year, a single amortization base is created, using the net period for the multiple bases.

Risk pooling was implemented as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference began at 100% for the first year, and was incrementally reduced by 20% of the original normal cost difference for each subsequent year.

NOTE 11 SUBSEQUENT EVENT

Subsequent to year-end, the District requested an increase of the maximum funding by the California Department of Public Health loan (see Note 6). As of the report date, no amendment to the loan agreement has been signed.

SUPPLEMENTARY INFORMATION

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
(A California Public Utility District)

REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
For the years ended June 30, 2012 and 2011

Funded Status of Plan

The Schedule of Funding Progress below shows the recent history of the risk pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/UL)	Annual Covered Payroll	UL as % of Payroll
6/30/06	\$ 478,122,215	\$454,602,459	\$ 23,519,756	95.1%	\$170,458,082	13.8%
6/30/07	\$ 498,934,859	\$479,520,670	\$ 19,414,189	96.1%	\$171,052,819	11.4%
6/30/08	\$ 532,483,463	\$513,147,099	\$ 19,336,364	96.4%	\$183,387,608	10.5%
6/30/09	\$ 582,841,869	\$553,953,526	\$ 28,888,343	95.0%	\$184,319,666	15.7%
6/30/10	\$ 624,423,437	\$594,492,164	\$ 29,931,273	95.2%	\$186,777,830	16.0%