

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

**BASIC  
FINANCIAL STATEMENTS**

**For the Years Ended  
June 30, 2013 and 2012**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Bolin Community Public Utility District (a California special district), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the 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 and the California State Controller's *Minimum Audit Requirements for California Special Districts*; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 the entity'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 financial position of the business-type activities of the Bolinas Community Public Utility District as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedule of funding progress (unaudited) on pages 3-7 and 24 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.

*Doran & Associates*

November 21, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the years ended June 30, 2013 and 2012**

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**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, 2013 and June 30, 2012. Please review it in conjunction with the basic financial statements and notes to the statements that begin on page 11.

**Using This Annual Report**

The first statement in the audit report, on page 8 is titled Statements of Net Position – Proprietary Enterprise Fund ("Net Position Statement"). The second statement, on page 9, is titled Statements of Revenues, Expenses and Net Position – Proprietary Enterprise Fund ("Revenue and Expenses Statement"). The third statement, on page 10, 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 Net Position Statement can be seen as a snapshot of BCPUD's financial status effective June 30, 2013 and June 30, 2012. It indicates 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.). This statement also shows total liabilities, including bills that were due at the end of the fiscal period, as well as total long-term debt. Finally, the statement shows total equity, or the net worth of the District. Assets equal Liabilities plus Net Position.

The Net Position Statement contains references to the Notes. The Notes provide additional detail and/or explanations for line items in the Net Position Statement. For example, on the Net Position Statement, under Liabilities and Net Position, 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 ending June 30, 2013 and June 30, 2012. Note 6 breaks the line item into its components and includes a brief explanation of each debt.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the years ended June 30, 2013 and 2012**

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The Revenue and Expenses Statement 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 \$169,374 for the period ending June 30, 2013.

The Cash Flow Statement provides 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 Operating Income figure from the Revenue and Expenses Statement. That can also be derived from the Cash Flow Statement's two line items – Net Cash Provided by Operating Activities minus Total Adjustments.

**Financial Highlights**

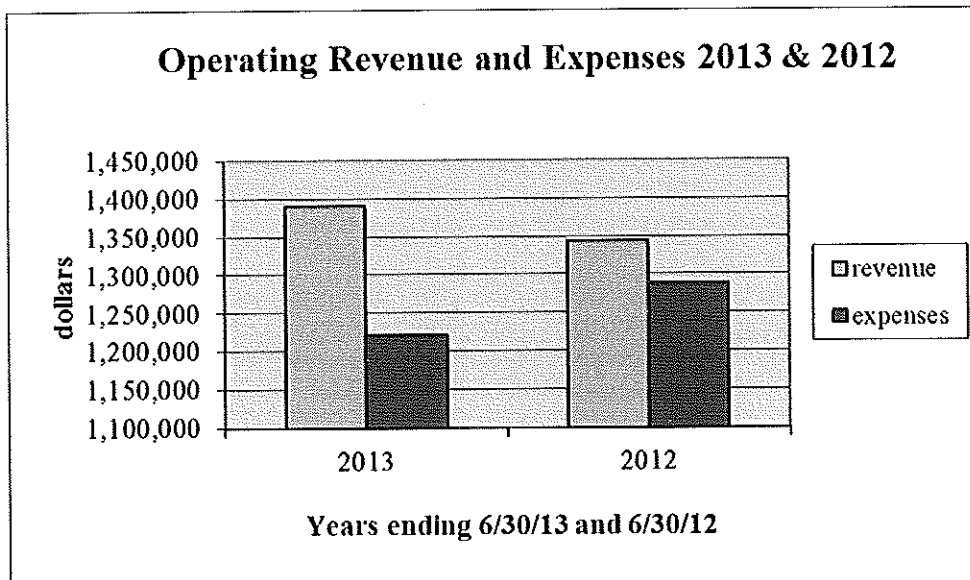
- The District's revenue (see page 9, Revenues and Expenses Statement) increased by approximately \$47,000 as compared to the amount reported in the District's audited financial statements for the fiscal year ended 2012 due primarily to higher quarterly water sales revenue collected for the year, as well as an increase in property taxes allocated to the district as a result of the improved real estate economy in Marin County.
- Plant expenses for the District (see page 9, Revenue and Expenses Statement) declined from \$129,361 for the fiscal year ended 2012 to \$110,646 for the fiscal year ended 2013 due to ongoing efforts to reduce maintenance costs; power and fuel expenses also declined from \$30,441 for the fiscal year ended 2012 to \$14,321 for the fiscal year ended 2013 as a result of the efficient operation of the district's photovoltaic arrays at the water and wastewater treatment plants. Finally, the district's employee salaries and benefits costs rose by approximately \$27,500 for the fiscal year ended 2013 as compared to the fiscal year ended 2012 due to wage increases and health insurance cost increases. However, the district implemented health insurance provider changes during fiscal year 2012-2013 (effective January 1, 2013) that will result in health insurance cost reductions in upcoming years.
- Depreciation expense was \$225,398 for the fiscal year ended June 30, 2013. See Note 4 of the financial statements on page 15 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 was in the process of relocating an important water main (that was threatened by bluff erosion) during the fiscal year ended 2013 to ensure the reliability of water service to all district residents.
- The District realized Other Revenue of \$58,294 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 20 of the financial statements.

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended June 30, 2013 and 2012

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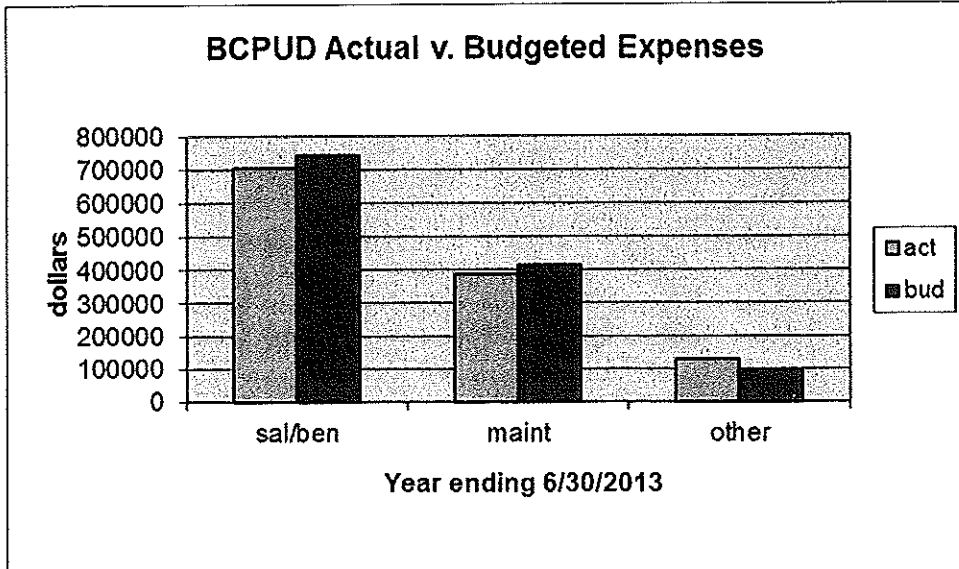
- The chart below compares total operating revenue and expenditures for the fiscal years ending June 30, 2013 and June 30, 2012 and illustrates the District's net operating income of \$169,374 ending June 30, 2013:



- The next two charts below show actual versus budgeted expenses and actual versus budgeted revenue, respectively, for the fiscal year ended June 30, 2013. The expenses chart illustrates that with respect to salaries and benefits, as well as maintenance and other 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 slightly higher than expected bookkeeping costs, association dues and permit fees.

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended June 30, 2013 and 2012

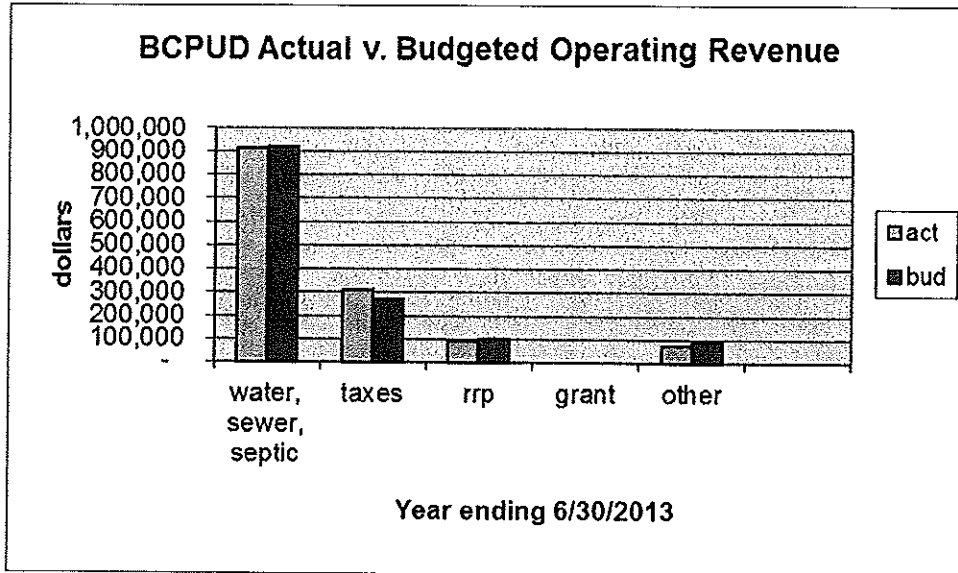


- The revenue chart reveals that the District's actual revenue for the fiscal year ending June 30, 2013 (\$1,389,967), came in slightly above the budget projection (which was \$1,379,307, not including funds budgeted as revenue to be spent from the district's designated and reserve funds). The chart below indicates that revenue from water, sewer and septic services was very close to projections, whereas property taxes were slightly higher than projected due to the improving real estate market in Marin County. 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 below budget by \$8,875, or approximately 9%, due to a decline in compost sales. In addition to fees from green waste disposal, the Resource Recovery Project receives income from the sale of finished mulch and compost.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended June 30, 2013 and 2012



- As detailed in Note 6 (Long-Term Debt), the California Department of Public Health has approved a \$485,000 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. The loan amount was increased from \$365,000 to \$485,000 at the request of the District because the construction bids to install the project were much higher than previously estimated by the District's consulting engineers.

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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**STATEMENTS OF NET POSITION - PROPRIETARY ENTERPRISE FUND**  
**June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents, and investments (Notes 1 and 2)	\$ 2,051,549	\$ 1,959,815
Accounts receivable (Note 1)	34,950	38,302
Prepaid expenses	<u>17,482</u>	<u>21,109</u>
Total current assets	2,103,981	2,019,226
Loan receivable from State of California (Note 3)	-	18,448
Capital assets, net of accumulated depreciation of \$5,275,693 at 2013 and \$5,072,839 at 2012 (Notes 1 and 4)	3,991,584	4,106,312
Construction in progress (Note 4)	628,518	162,037
Loan fees, net of accumulated amortization of \$59,463 at 2013 and \$52,005 at 2012	<u>63,770</u>	<u>71,228</u>
Total assets	<u>\$ 6,787,853</u>	<u>\$ 6,377,251</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 399,047	\$ 17,135
Current portion of bonds payable (Note 5)	79,938	78,938
Current portion of long-term debt (Note 6)	73,942	71,579
Accrued interest payable	4,262	5,329
Accrued salaries and vacation	39,020	43,720
Fiscal agency funds	<u>3,182</u>	<u>3,182</u>
Total current liabilities	599,391	219,883
Bonds payable, net of current portion (Note 5)	550,374	630,312
Long-term debt, net of current portion (Note 6)	<u>414,931</u>	<u>451,618</u>
Total liabilities	<u>1,564,696</u>	<u>1,301,813</u>
Net position (Note 1):		
Invested in capital assets, net of related debt	3,564,687	2,945,093
Restricted for payment of debt service	25,266	25,379
Unrestricted	<u>1,633,204</u>	<u>2,104,966</u>
Total net position	<u>5,223,157</u>	<u>5,075,438</u>
Total liabilities and net position	<u>\$ 6,787,853</u>	<u>\$ 6,377,251</u>

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 NET POSITION -  
PROPRIETARY ENTERPRISE FUND**  
For the years ended June 30, 2013 and 2012

	2013	2012
<b>OPERATING REVENUE</b>		
Water, sewer and septic service	\$ 912,238	\$ 854,420
Property taxes and special assessments (Note 7)	310,833	294,167
Resource recovery revenue	91,429	112,562
Other revenue (Note 8)	<u>75,467</u>	<u>81,666</u>
Total operating revenue	<u>1,389,967</u>	<u>1,342,815</u>
<b>OPERATING EXPENSES</b>		
Salaries	490,520	473,672
Employee benefits	213,707	202,963
Insurance	24,803	24,098
Plant expenses	110,646	129,361
Power and fuel	14,321	30,441
Office expense	37,615	36,221
Trucks	12,435	11,904
Professional fees	29,939	46,937
Directors' fees	15,000	15,000
Depreciation (Note 4)	225,398	225,923
Other expenses	<u>46,209</u>	<u>92,168</u>
Total operating expenses	<u>1,220,593</u>	<u>1,288,688</u>
Net operating income	<u>169,374</u>	<u>54,127</u>
<b>OTHER INCOME AND (EXPENSES)</b>		
Amortization	(7,458)	(7,458)
Interest income	2,909	3,709
Interest expense	<u>(17,106)</u>	<u>(22,029)</u>
Total other income and (expenses)	<u>(21,655)</u>	<u>(25,778)</u>
Change in net position	147,719	28,349
Total net position, beginning of year	<u>5,075,438</u>	<u>5,047,089</u>
Total net position, end of year	<u>\$ 5,223,157</u>	<u>\$ 5,075,438</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, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,411,767	\$ 1,275,352
Cash paid to employees	(708,927)	(682,052)
Cash paid to suppliers	<u>(285,972)</u>	<u>(355,670)</u>
Net cash provided by operating activities	<u>416,868</u>	<u>237,630</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>2,909</u>	<u>3,709</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES</b>		
Acquisition and construction of capital assets	(110,670)	(132,942)
Change in construction in progress	(85,938)	(9,851)
Payments on long-term debt	(113,262)	(111,144)
Interest paid on long-term debt	<u>(18,173)</u>	<u>(20,954)</u>
Net cash used by capital and related financial activities	<u>(328,043)</u>	<u>(274,891)</u>
Increase (decrease) in cash and cash equivalents	91,734	(33,552)
Cash and cash equivalents, beginning of year	<u>1,959,815</u>	<u>1,993,367</u>
Cash and cash equivalents, end of year	<u>\$ 2,051,549</u>	<u>\$ 1,959,815</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	<u>\$ 169,374</u>	<u>\$ 54,127</u>
Changes in assets and liabilities:		
Depreciation	225,398	225,923
Accounts receivable	3,352	14,203
Loan receivable	18,448	-
Grants receivable	-	19,000
Prepaid expenses	3,627	(3,158)
Accounts payable and accrued expenses	1,369	(60,048)
Accrued salaries and vacation	(4,700)	(5,417)
Deferred revenue	<u>-</u>	<u>(7,000)</u>
Total adjustments	<u>247,494</u>	<u>183,503</u>
Net cash provided by operating activities	<u>\$ 416,868</u>	<u>\$ 237,630</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

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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 Statements of Financial Position. The Statements of Revenues, Expenses, and Net Position 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.

New Accounting Pronouncements - During the year ended June 30, 2013, the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Inflows of Resources and Net Position*, changing the structure of a government balance sheet and re-titling Net Assets as Net Position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amends the financial statement classification of certain items to now be included in the deferred inflows and outflows categories that changed the structure of the balance sheet in GASB Statement No. 63.

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

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

Net Position -The proprietary enterprise fund financial statements utilize a net position presentation. Net position categories are as follows:

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

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

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

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.

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.

New Accounting Pronouncements to be Adopted in the Future - In June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The new standard is effective for the year ending June 30, 2015. The District is currently evaluating the effect that implementation of the new standard will have on its statements of net position and statements of activities.

Subsequent Events - Subsequent events have been evaluated through November 21, 2013, which is the date the financial statements were available to be issued.

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

**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.

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, 2013 and 2012, the balances were as follows:

	2013	2012
General operating fund	\$ 121,377	\$ 88,168
Investment fund	2,789	2,785
Bond and loan redemption funds	3,366	2,633
Designated reserve fund	601,365	583,201
FEMA flood repair fund	76	76
Total cash held by County	728,973	676,863
CDPH loan reserve	21,900	22,746
Other cash accounts, including certificates of deposit	1,300,676	1,260,207
Total cash, cash equivalents, and investments	\$ 2,051,549	\$ 1,959,816

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.



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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

**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. During the year ended June 30, 2013, the loan was repaid.

**NOTE 4 CAPITAL ASSETS**

Capital assets consisted of the following at June 30, 2013 and 2012:

	Non- Depreciable Capital Assets	<u>Depreciable Capital Assets</u>		
	<u>Land</u>	Building and System Equipment	Vehicles and Other Equipment	<u>Total</u>
<u>Capital assets, at cost</u>				
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	328,006	8,434,356	416,789	9,179,151
Additions	-	100,653	10,017	110,670
Disposals	-	-	(22,544)	(22,544)
Balance, June 30, 2013	<u>328,006</u>	<u>8,535,009</u>	<u>404,262</u>	<u>9,267,277</u>
<u>Accumulated depreciation</u>				
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	-	4,841,162	231,677	5,072,839
Depreciation expense	-	208,546	16,852	225,398
Disposals	-	-	(22,544)	(22,544)
Balance, June 30, 2013	<u>-</u>	<u>5,049,708</u>	<u>225,985</u>	<u>5,275,693</u>
Capital assets, net	<u>\$ 328,006</u>	<u>\$ 3,485,301</u>	<u>\$ 178,277</u>	<u>\$ 3,991,584</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

**NOTE 4 CAPITAL ASSETS (Continued)**

The District has commenced multi-year plans to replace all of the District's water hydrants on its distribution system, and relocate a water main system, as well as conduct an evaluation of the pond facilities at its wastewater treatment plant. As of June 30, 2013 and 2012, \$628,518 and \$162,037, 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.

**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, 2013 and 2012, consisted of the following:

	2013		2012	
	Current Portion	Long-term Portion	Total	Total Only
5% General obligation, sewer treatment bonds; issued 1973, maturing 2014, principal reduction and interest paid annually.	\$ 21,000	\$ -	\$ 21,000	\$ 41,000
5% General obligation, water bonds; issued 1978, maturing 2018, principal reduction and interest paid annually.	7,000	31,000	38,000	45,000
CREBs wastewater project interest-free bonds, issued 2008, maturing 2023, principal reduction in the amount of \$14,125 paid annually.	14,125	141,250	155,375	169,500
CREBs water treatment interest-free bonds, issued 2008, maturing 2023, principal reduction in the amount of \$37,813 paid annually.	37,813	378,124	415,937	453,750
	\$ 79,938	\$ 550,374	\$ 630,312	\$ 709,250

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

**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>
2014	\$ 21,000	\$ 58,938
2015	-	58,938
2016	-	59,938
2017	-	59,938
2018	-	59,938
Thereafter	-	311,622
	<u>\$ 21,000</u>	<u>\$ 609,312</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, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>	
	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u> <u>Total</u>	<u>Total</u> <u>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.	\$ 30,180	\$ -	\$ 30,180
			\$ 59,189

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

NOTE 6 LONG-TERM DEBT (Continued)

	2013			2012
	Current Portion	Long-Term Portion	Total	Total Only
<p>California Department of Public Health (CDPH) loan approved for a maximum amount of \$485,000. 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>	-	72,342	72,342	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>	<u>43,762</u>	<u>342,589</u>	<u>386,351</u>	<u>428,921</u>
	<u>\$ 73,942</u>	<u>\$ 414,931</u>	<u>\$ 488,873</u>	<u>\$ 523,196</u>

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

**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>	
2014	\$ 73,942
2015	44,987*
2016	46,246*
2017	46,000*
2018	47,000*
Thereafter	<u>230,698</u>
	<u>\$ 488,873</u>

\* Semi-annual payments of CDPH loan to be determined upon project completion.

**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, 2013 and 2012.

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2013 and 2012**

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**NOTE 8 OTHER REVENUE**

Other revenue consisted of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Rental income	\$ 5,960	\$ 5,580
CSI solar rebate income *	58,294	61,493
Other	<u>11,213</u>	<u>14,593</u>
	<u>\$ 75,467</u>	<u>\$ 81,666</u>

\* 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.

**NOTE 9 RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2013 and 2012, the District paid the members of the Board of Directors a monthly Directors' fee. For the years ended June 30, 2013 and 2012, \$15,000 per year was paid in Directors' fees.

**NOTE 10 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, 2013 and 2012**

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**NOTE 11 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 2013-2014 is 11.185% and for fiscal year 2012-2013 was 11.034% 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, 2013 and 2012, the District contributed \$44,577 and \$42,409, 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 2012/2013 and 2011/2012. 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, 2013, 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, 2013 and 2012, 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, 2013 and 2012**

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NOTE 11 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 12 CONTINGENCIES AND COMMITMENT

As of June 30, 2013, the District had exceeded the Federal Depository Insurance Corporation limit cash limit of \$250,000 on its depository accounts. At June 30, 2013, the District had approximately \$345,000 on deposit in excess of federally insured limits.



**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, 2013 and 2012**

Funded Status of Plan

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

Valuation Date	Actuarial Accrued Liabilities (AAL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AAL)	Annual Covered Payroll	UL as % of Payroll
6/30/09	\$ 294,042	\$ 244,964	\$ 49,078	83.3%	\$ 45,100	108.8%
6/30/10	\$ 308,543	\$ 257,070	\$ 51,273	83.4%	\$ 44,984	114.0%
6/30/11	\$ 328,567	\$ 271,389	\$ 57,178	82.6%	\$ 43,901	130.2%