

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

**BASIC
FINANCIAL STATEMENTS**

**For the Years Ended
June 30, 2014 and 2013**

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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 financial statements of the business-type activities of the Bolinas Community Public Utility District (a California special district), as of and for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, 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

December 1, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

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, 2014 and June 30, 2013. Please review it in conjunction with the basic financial statements and notes to the statements that begin on page 8.

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, 2014 and June 30, 2013. 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, 2014 and June 30, 2013. Note 6 breaks the line item into its components and includes a brief explanation of each debt.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

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 \$197,191 for the period ending June 30, 2014.

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.

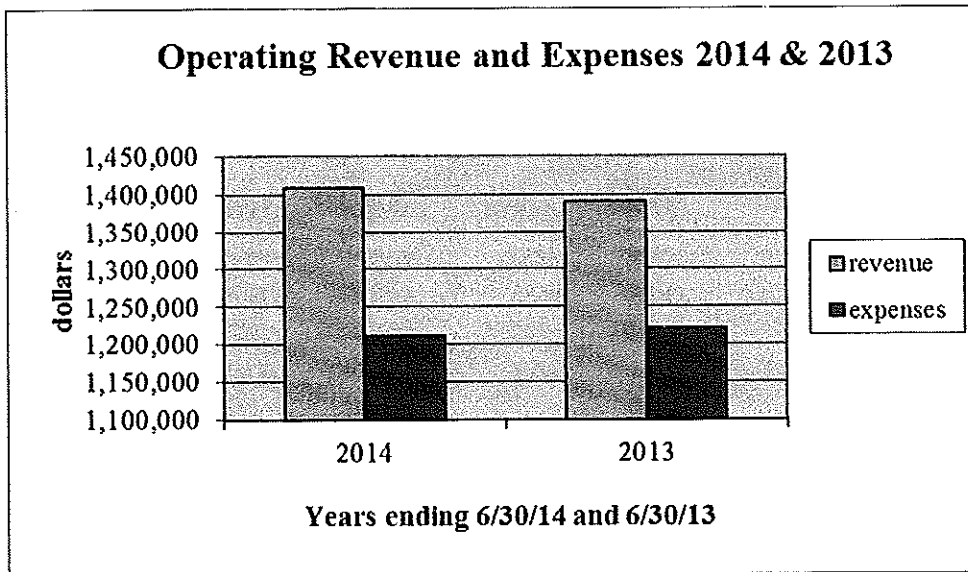
Financial Highlights

- The District's revenue (see page 9, Revenues and Expenses Statement) increased by \$17,821 as compared to the amount reported in the District's audited financial statements for the fiscal year ended 2013, despite the fact the District's receipt of monthly rebates from the California Solar Initiative ended in March 2014, 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) increased from \$110,646 for the fiscal year ended 2013 to \$145,015 for the fiscal year ended 2014 due to District expenditures on the inspection and cleaning of its two treated water storage tanks, the replacement of numerous filter modules at the Woodrat Water Treatment Plant, the removal of hazardous trees from a variety of sites on District property, the rehabilitation of and safety improvements to a public stairway maintained by the district, and an emergency repair of a district water line. In contrast, the district's employee salaries and benefits costs declined by approximately \$63,500 for the fiscal year ended 2014 as compared to the fiscal year ended 2013 due to the retirement of one full-time employee as well as health insurance cost savings resulting from the District's move to a new health insurance provider.
- Depreciation expense was \$245,591 for the fiscal year ended June 30, 2014. 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 has commenced a multi-year plan to replace all of the District's water hydrants on its distribution system. It will continue work on the Disinfection Byproducts (DPB) Pilot Project and the Terrace Avenue Geotech Study. The District completed the Terrace Avenue Main Relocation, Pond Evaluation, as well as the Wharf Road Valvebox Upgrade Projects.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

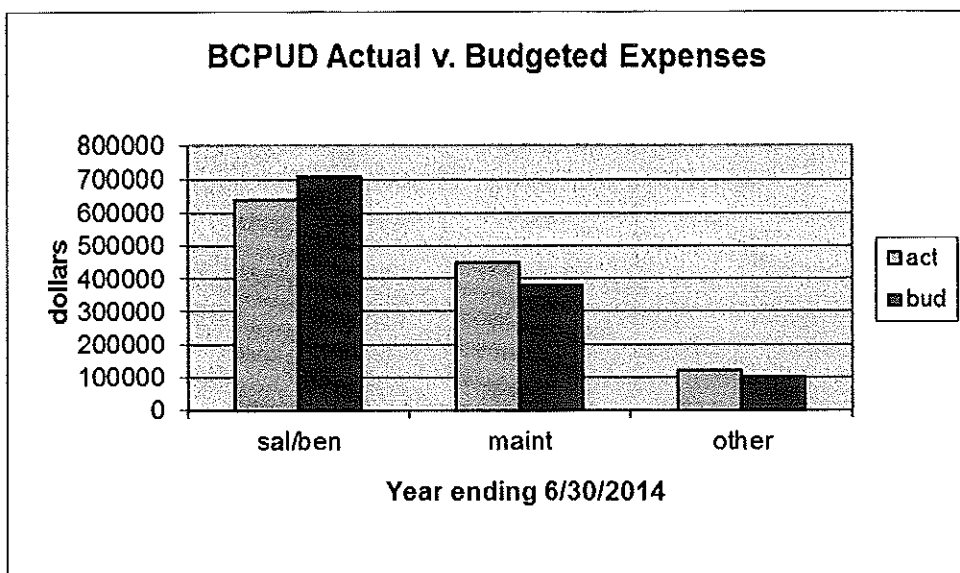
- As noted above, the District received the final installment of monthly rebate payments pursuant to the California Solar Initiative in March 2014. Between March 2009 and March 2014, the District received a total of \$255,167 in rebates, calculated on the basis of the District's monthly energy production from photovoltaic (solar) panels installed in January 2009 at its water treatment and wastewater treatment sites, as more fully explained in Note 8 on page 20 of the financial statements.
- The chart below compares total operating revenue and expenditures for the fiscal years ending June 30, 2014 and June 30, 2013 and illustrates the District's net operating income of \$197,191 ending June 30, 2014:



- The next two charts below show actual versus budgeted expenses and actual versus budgeted revenue, respectively, for the fiscal year ended June 30, 2014. The expenses chart illustrates that with respect to salaries and benefits, BCPUD was slightly under budget for the year, whereas with respect to maintenance and other expenses, BCPUD was slightly above budget for the year.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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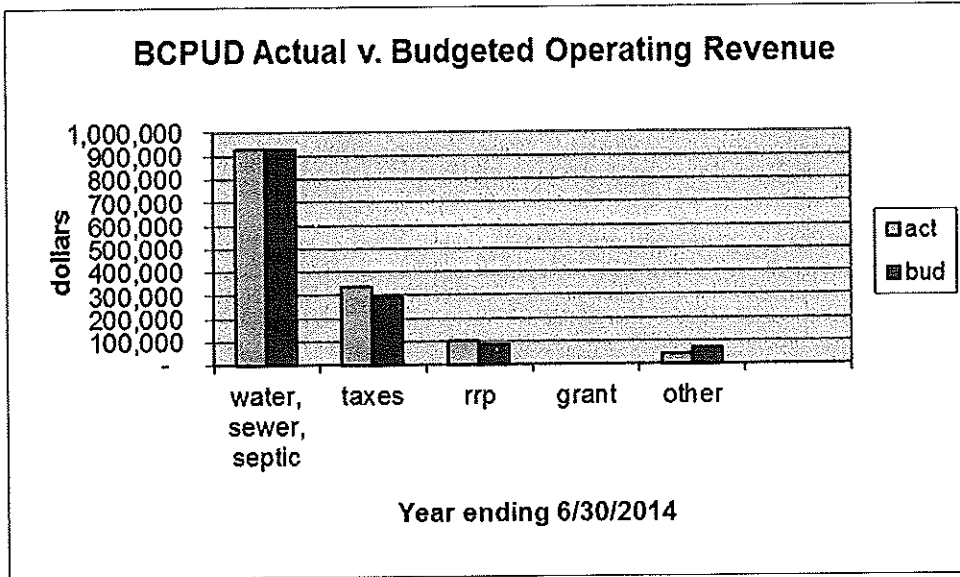
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013



- The revenue chart reveals that the District's actual revenue for the fiscal year ending June 30, 2014 (\$1,407,788), came in slightly above budget projection (which was \$1,385,823, 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 above budget by \$9,840, or approximately 9%, due to an increase in collection of green waste disposal fees. 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, 2014 and 2013



- As detailed in Note 6 (Long-Term Debt), the California Department of Public Health has issued 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 that relocated 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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STATEMENTS OF NET POSITION - PROPRIETARY ENTERPRISE FUND
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash, cash equivalents, and investments (Notes 1 and 2)	\$ 2,235,572	\$ 2,051,549
Accounts receivable (Note 1)	40,888	34,950
Prepaid expenses	<u>16,084</u>	<u>17,482</u>
Total current assets	2,292,544	2,103,981
Capital assets, net of accumulated depreciation of \$5,521,284 at 2014 and \$5,275,693 at 2013 (Notes 1 and 4)	4,322,048	3,991,584
Construction in progress (Note 4)	171,307	628,518
Loan fees, net of accumulated amortization of \$66,221 at 2014 and \$59,463 at 2013	<u>57,012</u>	<u>63,770</u>
Total assets	<u>\$ 6,842,911</u>	<u>\$ 6,787,853</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	\$ 23,747	\$ 399,047
Current portion of bonds payable (Note 5)	58,938	79,938
Current portion of long-term debt (Note 6)	64,326	73,942
Accrued interest payable	8,743	4,262
Accrued salaries and vacation	31,598	39,020
Fiscal agency funds	<u>3,182</u>	<u>3,182</u>
Total current liabilities	190,534	599,391
Bonds payable, net of current portion (Note 5)	491,436	550,374
Long-term debt, net of current portion (Note 6)	<u>763,263</u>	<u>414,931</u>
Total liabilities	1,445,233	1,564,696
Net position (Note 1):		
Invested in capital assets, net of related debt	3,172,404	3,564,687
Restricted for payment of debt service	21,845	25,266
Unrestricted	<u>2,203,429</u>	<u>1,633,204</u>
Total net position	5,397,678	5,223,157
Total liabilities and net position	<u>\$ 6,842,911</u>	<u>\$ 6,787,853</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, 2014 and 2013

	2014	2013
OPERATING REVENUE		
Water, sewer and septic service	\$ 929,772	\$ 912,238
Property taxes and special assessments (Note 7)	336,521	310,833
Resource recovery revenue	101,527	91,429
Other revenue (Note 8)	<u>39,968</u>	<u>75,467</u>
Total operating revenue	<u>1,407,788</u>	<u>1,389,967</u>
OPERATING EXPENSES		
Salaries	468,996	490,520
Employee benefits	171,700	213,707
Insurance	23,465	24,803
Plant expenses	145,015	110,646
Power and fuel	24,353	14,321
Office expense	36,116	37,615
Trucks	11,758	12,435
Professional fees	25,655	29,939
Directors' fees	15,000	15,000
Depreciation (Note 4)	245,591	225,398
Other expenses	<u>42,948</u>	<u>46,209</u>
Total operating expenses	<u>1,210,597</u>	<u>1,220,593</u>
Net operating income	<u>197,191</u>	<u>169,374</u>
OTHER INCOME AND (EXPENSES)		
Amortization	(6,758)	(7,458)
Interest income	2,177	2,909
Interest expense	<u>(18,089)</u>	<u>(17,106)</u>
Total other income and (expenses)	<u>(22,670)</u>	<u>(21,655)</u>
Change in net position	174,521	147,719
Total net position, beginning of year	<u>5,223,157</u>	<u>5,075,438</u>
Total net position, end of year	<u>\$ 5,397,678</u>	<u>\$ 5,223,157</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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,401,850	\$ 1,411,767
Cash paid to employees	(648,118)	(708,927)
Cash paid to suppliers	<u>(317,669)</u>	<u>(285,972)</u>
Net cash provided by operating activities	<u>436,063</u>	<u>416,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>2,177</u>	<u>2,909</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Acquisition and construction of capital assets	(75,472)	(110,670)
Change in construction in progress	(423,915)	(85,938)
Payments on long-term debt	(153,881)	(113,262)
Proceeds from long-term debt	412,659	-
Interest paid on long-term debt	<u>(13,608)</u>	<u>(18,173)</u>
Net cash used by capital and related financial activities	<u>(254,217)</u>	<u>(328,043)</u>
Increase in cash and cash equivalents	184,023	91,734
Cash and cash equivalents, beginning of year	<u>2,051,549</u>	<u>1,959,815</u>
Cash and cash equivalents, end of year	<u>\$ 2,235,572</u>	<u>\$ 2,051,549</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	<u>\$ 197,191</u>	<u>\$ 169,374</u>
Changes in assets and liabilities:		
Depreciation	245,591	225,398
Accounts receivable	(5,938)	3,352
Loan receivable	-	18,448
Prepaid expenses	1,398	3,627
Accounts payable and accrued expenses	5,243	1,369
Accrued salaries and vacation	<u>(7,422)</u>	<u>(4,700)</u>
Total adjustments	<u>238,872</u>	<u>247,494</u>
Net cash provided by operating activities	<u>\$ 436,063</u>	<u>\$ 416,868</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, 2014 and 2013

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

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

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.

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.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

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

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 December 1, 2014, 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 (discontinued in 2014), an account with Local Agency Investment Fund (new in 2014), 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.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

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

These funds have been segregated into various accounts and, at June 30, 2014 and 2013, the balances were as follows:

	2014	2013
General operating fund	\$ 113,245	\$ 121,377
Investment fund	2,792	2,789
Bond and loan redemption funds	3,180	3,366
Designated reserve fund	794,241	601,365
FEMA flood repair fund	76	76
Total cash held by County	913,534	728,973
CDPH loan reserve	18,665	21,900
Other cash accounts, including certificates of deposit	508,816	1,300,676
LAIF reserve funds	794,557	-
Total cash, cash equivalents, and investments	\$ 2,235,572	\$ 2,051,549

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

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

NOTE 4 CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2014 and 2013:

	Non- Depreciable Capital Assets			Total
	Land	Building and System Equipment	Vehicles and Other Equipment	
<u>Capital assets, at cost</u>				
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	328,006	8,535,009	404,262	9,267,277
Additions	-	75,472	-	75,472
Construction in process placed in service	-	500,583	-	500,583
Balance, June 30, 2014	<u>328,006</u>	<u>9,111,064</u>	<u>404,262</u>	<u>9,843,332</u>
<u>Accumulated depreciation</u>				
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	-	5,049,708	225,985	5,275,693
Depreciation expense	-	231,049	14,542	245,591
Balance, June 30, 2014	<u>-</u>	<u>5,280,757</u>	<u>240,527</u>	<u>5,521,284</u>
Capital assets, net	<u>\$ 328,006</u>	<u>\$ 3,830,307</u>	<u>\$ 163,735</u>	<u>\$ 4,322,048</u>

The District has commenced multi-year plans to replace all of the District's water hydrants on its distribution system. It will continue to work on the Disinfection Byproducts (DPB) Pilot Project and the Terrace Avenue Geotech Study. As of June 30, 2014 and 2013, \$171,307 and \$628,518, respectively, had been expended on these and other capital projects in process undertaken during the year. In 2014, several projects were completed and placed in service, including the Terrace Avenue Main Relocation, Pond Evaluation, as well as the Wharf Road Valuebox Upgrade projects, totaling \$500,583. 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, 2014 and 2013

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, 2014 and 2013, consisted of the following:

	2014			2013
	Current Portion	Long-term Portion	Total	Total Only
5% General obligation, sewer treatment bonds; issued 1973, maturing 2014, principal reduction and interest paid annually. This bond was repaid in 2014.	\$ -	\$ -	\$ -	\$ 21,000
5% General obligation, water bonds; issued 1978, maturing 2018, principal reduction and interest paid annually.	7,000	24,000	31,000	38,000
CREBs wastewater project interest-free bonds, issued 2008, maturing 2023, principal reduction in the amount of \$14,125 paid annually.	14,125	127,125	141,250	155,375
CREBs water treatment interest-free bonds, issued 2008, maturing 2023, principal reduction in the amount of \$37,813 paid annually.	37,813	340,311	378,124	415,937
	\$ 58,938	\$ 491,436	\$ 550,374	\$ 630,312

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

NOTE 5 BOND INDEBTEDNESS (Continued)

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

<u>Year ending June 30,</u>			
2015	\$	58,938	
2016		59,938	
2017		59,938	
2018		59,938	
2019		51,938	
Thereafter		259,684	
	<u>\$</u>	<u>550,374</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, 2014 and 2013, consisted of the following:

	2014			2013
	Current Portion	Long-Term Portion	Total	Total Only
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. This loan was repaid in 2014.	\$ -	\$ -	\$ -	\$ 30,180

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

NOTE 6 LONG-TERM DEBT (Continued)

	2014		2013	
	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 were used to pay for one of the District's water construction projects. Interest is 2.3035% per annum; interest-only payments began after payment of the first claim by CDPH to the District. Semi-annual principal and interest payments of \$15,200 began upon completion of the project in July 2014 and will be due in semiannual payments for 20 years.</p>	19,339	465,661	485,000	72,342
<p>California Safe Drinking Water Project, State of California, Department of Water Resources: authorized maximum \$964,201 loan as of June 30, 2001. Semi-annual payments of principle and interest at 2.781% per annum over 30 years.</p>	44,987	297,602	342,589	386,351
	\$ 64,326	\$ 763,263	\$ 827,589	\$ 488,873

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

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>		
2015	\$	64,326
2016		66,033
2017		66,246
2018		66,715
2019		67,195
Thereafter		<u>497,074</u>
	<u>\$</u>	<u>827,589</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, 2014 and 2013.

BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

NOTE 8 OTHER REVENUE

Other revenue consisted of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Rental income	\$ 6,320	\$ 5,960
CSI solar rebate income *	31,426	58,294
Other	2,222	11,213
	\$ 39,968	\$ 75,467

* The District was approved to participate in the California Solar Initiative (CSI) in January 2009, after the installation of photovoltaic (solar) panels. The District received monthly rebates for a period of five years beginning March 2009 and ending March 2014. The amount of the rebates was a maximum of \$255,167, and was calculated based on the District's monthly energy production.

NOTE 9 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2014 and 2013, the District paid the members of the Board of Directors a monthly Directors' fee. For the years ended June 30, 2014 and 2013, \$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.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

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 11.263% and for fiscal year 2012-2013 was 11.185% 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, 2014 and 2013, the District contributed \$42,714 and \$44,577, 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 2013/2014 and 2012/2013. 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 annual pension expenditures equal to its contractually required contribution to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The required contribution for the period July 1, 2013, to June 30, 2014, has been determined by an actuarial valuation of the plan as of June 30, 2012. In order to calculate the dollar value of the contractually required contribution as of June 30, 2014, this contribution rate, as modified by any subsequent contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the fiscal year.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2014 and 2013

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, 2014, the District had exceeded the Federal Depository Insurance Corporation limit cash limit of \$250,000 on its depository accounts. At June 30, 2014, the District had approximately \$277,000 on deposit in excess of federally insured limits.

NOTE 13 SUBSEQUENT EVENTS

In September 2014, the District commenced the installation of a park facilities improvement project which will be funded by a grant of up to \$500,000 from the California Department of Parks and Recreation. In October 2014, the District received a \$200,000 advance of the grant funds and in November 2014 the District received an additional \$200,000 advance of the grant funds for this project. The remaining grant funds will be disbursed to the District after the project is complete and has been inspected by the granting agency.

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, 2014 and 2013

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 Value of Assets (AVA)	Actuarial Accrued Liabilities (AAL)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AAL)	Annual Covered Payroll	UL as % of Payroll
6/30/09	\$ 244,964	\$ 294,042	\$ 49,078	83.3%	\$ 45,100	108.8%
6/30/10	\$ 257,070	\$ 308,543	\$ 51,273	83.4%	\$ 44,984	114.0%
6/30/11	\$ 271,389	\$ 328,567	\$ 57,178	82.6%	\$ 43,901	130.2%
6/30/12	\$ 282,991	\$ 340,429	\$ 57,438	83.1%	\$ 42,599	134.8%