

**BAYSHORE SANITARY DISTRICT**  
**FINANCIAL REPORT**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT THEREON**  
**JUNE 30, 2020**

**BAYSHORE SANITARY DISTRICT  
FINANCIAL REPORT  
JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bayshore Sanitary District  
Brisbane, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Bayshore Sanitary District as of June 30, 2020, 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; 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 an opinion 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Bayshore Sanitary District  
Brisbane, California

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bayshore Sanitary District as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The comparative statement of operating expenses with budget for the year ended June 30, 2020, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fechter & Company,  
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in black ink and is positioned above the printed name of the firm.

Sacramento, California  
August 27, 2020

## **BAYSHORE SANITARY DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020**

The following discussion and analysis of the Bayshore Sanitary District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements.

#### **District Highlights**

- The District's process of succession planning is a continuing activity. Progress was made this year in securing backup engineering services.
- A number of projects are still in the development stage and will add approximately 636 housing units within the District.
- There were no mainline sewer overflows in Fiscal Year 2019-20.
- The District website was redesigned using WordPress.
- The District's Ordinance Code was amended to be compliant with the new State Accessory Dwelling Unit regulations.

#### **Financial Highlights**

- Property tax revenues for the fiscal year exceeded the proposed sum by \$65,000. The source of that amount was taxes from the Brisbane and Daly City redevelopment successor agencies. However, those taxes will eventually cease. The method of calculating Educational Revenue Augmentation Funding is under review by the State and could negatively affect tax revenues for Fiscal Year 2020-21.
- Operating expenses remained steady.
- Capital expenditures were less than budgeted for the fiscal year. The telemetry upgrade research and identification of qualified vendors has taken longer than anticipated. Funds to complete the project are budgeted in Fiscal Year 2020-21.

#### **USING THIS FINANCIAL REPORT**

This financial report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information contained in those statements.

#### **Required Financial Statements**

District financial statements report information about the District's use of accounting methods similar to those used by private sector companies. The Statement of Net Position includes all District assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

## BAYSHORE SANITARY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

This statement measures the success of the District operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District cash receipts, cash disbursements, and net changes in cash resulting from operations, investing, and capital and noncapital financial activities. It provides answers to questions such as, "where did the cash come from," "cash was used for what purpose," and "what were the components of the change in cash balances during the reporting period?"

#### FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of District net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in District net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, condition of the District's pipeline infrastructure, future expected infrastructure costs, and new or changed legislation.

#### Changes in Net Position

The District's total net position increased from the previous year by \$154,820. The following condensed financial statements reflect the statement of net position, along with the statement of revenue and expenses, and changes in net position:

#### Condensed Statement of Net Position

	2020	2019	\$ Change	% Change
Current Assets	\$ 5,482,070	\$ 5,303,736	\$ 178,334	3.36%
Capital Assets	2,423,116	2,463,203	(40,087)	-1.63%
Total Assets	7,905,186	7,766,939	138,247	1.78%
Current Liabilities	11,382	18,542	7,160	38.62%
Invested in Capital Assets	2,423,116	2,463,203	(40,087)	-1.63%
Unrestricted	5,470,688	5,285,194	185,494	3.51%
Total Net Position	\$ 7,893,804	\$ 7,748,397	\$ 145,407	1.88%

Changes in District net position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Change in Net Position.

**BAYSHORE SANITARY DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Condensed Statement of Revenues and Expenses and Changes in Fund Net Position**

	2020	2019	\$ Change	% Change
Operating Revenue	\$ 1,023,916	\$ 1,011,833	\$ 12,083	1.19%
Property Taxes	365,719	360,211	5,508	1.53%
Connection Fees	103,885	70,238	33,647	47.90%
Interest Income and other	71,814	86,256	(14,442)	-16.74%
<b>Total Revenue</b>	<b>1,565,334</b>	<b>1,528,538</b>	<b>36,796</b>	<b>2.41%</b>
Operating Expenses	1,419,927	1,349,838	(70,089)	-5.19%
<b>Increase in Net Position</b>	<b>145,407</b>	<b>178,700</b>	<b>106,885</b>	<b>59.81%</b>
Beginning Net Position	7,748,397	7,569,697	178,700	2.36%
<b>Ending Net Position</b>	<b>\$ 7,893,804</b>	<b>\$ 7,748,397</b>	<b>\$ 285,585</b>	<b>3.69%</b>

**Budgetary Highlights**

The District is not required by statute to adopt a budget. However, in its commitment to fiscal responsibility, the District adopts an annual budget that outlines the major elements of forthcoming operations and capital improvements.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At the end of fiscal year 2020, the District had \$2,423,116 (net of accumulated depreciation) invested in capital assets. The assets included: land, buildings, a sewage collection system consisting of subsurface lines and pumps, and equipment. The decrease of \$30,675 in capital assets for this year is due to annual depreciation expense taken on District assets. The following table summarizes District capital assets at historical costs for fiscal years ended June 30, 2020 and 2019:

	2020	2019
Land	\$ 54,424	\$ 54,424
Construction in Progress	11,011	29,777
Buildings	567,850	567,850
Sewage collection system	3,421,447	3,386,686
Furniture and equipment	15,747	15,747
<b>Total Fixed Assets - cost</b>	<b>4,005,044</b>	<b>4,054,484</b>
<b>Accumulated depreciation</b>	<b>(1,647,363)</b>	<b>(1,591,281)</b>
<b>Total capital assets, net</b>	<b>\$ 2,423,116</b>	<b>\$ 2,463,203</b>

**BAYSHORE SANITARY DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**RATES AND OTHER ECONOMIC FACTORS**

The District is governed in part by provisions of the State Water Resources Control Board (SWRCB) that require rate-based revenues that must cover the costs of operation, maintenance, and recurring capital replacement (OM&R). The District is not subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions such as sales taxes. Accordingly, the District sets its rates to its users to cover the costs of OM&R plus any increments for known or anticipated changes in program costs. Increases in operating costs have been kept at or below inflationary levels in recent years.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of District finances, and demonstrate District accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the District at 36 Industrial Way, Brisbane, CA 94005, or (415) 467-1144.



**BAYSHORE SANITARY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

**ASSETS**

Current Assets:

Cash and investments	\$ 5,468,801
Trade and other receivables	9,208
Prepaid expenses	<u>4,061</u>

Total current assets 5,482,070

Capital assets, net 2,423,116

**TOTAL ASSETS** \$ 7,905,186

**LIABILITIES AND NET POSITION**

Current Liabilities:

Accounts payable and accrued liabilities	<u>\$ 11,382</u>
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Total current liabilities 11,382

Net Position

Invested in capital assets, net	2,423,116
Unrestricted	<u>5,470,688</u>

Total net position \$ 7,893,804

**TOTAL LIABILITIES AND NET POSITION** \$ 7,905,186

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

**BAYSHORE SANITARY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2020**

<b>Operating revenues</b>	
Sewer service charges	\$ 989,581
Permit and inspection fees	<u>34,335</u>
Total operating revenues	<u>1,023,916</u>
<b>Operating expenses</b>	
Sewage collection	258,757
Sewage treatment	1,016,980
Administration and general	<u>135,849</u>
Total operating expenses	<u>1,411,586</u>
Operating loss	<u>(387,670)</u>
<b>Non-operating revenues and (expenses)</b>	
Loss on disposal of capital asset	(8,341)
Taxes revenue	365,719
Interest income	71,714
Other	<u>100</u>
Total non-operating revenues and (expenses)	<u>429,192</u>
Income before connection fees	41,522
Connection fees	<u>103,885</u>
Change in net position	145,407
Beginning net position	<u>7,748,397</u>
Ending net position	<u><u>\$ 7,893,804</u></u>

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

**BAYSHORE SANITARY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
JUNE 30, 2020**

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,023,916
Payments to suppliers	<u>(1,362,664)</u>
Net cash used by operating activities	<u>(338,748)</u>
<b>Cash flows from non-capital financing activities</b>	
Receipts from property taxes and other operating income	<u>477,433</u>
Net cash provided by non-capital financing activities	<u>477,433</u>
<b>Cash flows from investing activities</b>	
Capital expenses	(24,336)
Interest income	71,714
Other income	<u>100</u>
Net cash provided by investing activities	<u>47,478</u>
Net increase in cash and cash equivalents	186,163
Cash and cash equivalents, beginning of year	<u>5,282,638</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,468,801</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating loss	\$ (387,670)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	56,082
Decrease in accounts payable and accrued liabilities	<u>(7,160)</u>
Net cash used in operating activities	<u><u>\$ (338,748)</u></u>

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

**BAYSHORE SANITARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Bayshore Sanitary District (the District) is a California Special District, formed in June 1925. The District operates a wastewater collection facility serving portions of the City of Brisbane and the Bayshore area of Daly City. Revenues are derived principally from sewer service charges collected from commercial and residential users within the District.

Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally-separate governmental organization that does not have a separately elected governing body and does not meet the definition of a component unit. The Bayshore Sanitary District meets the criteria as a stand-alone government, and, accordingly, is accounted for and reported on as though it were a primary government.

**B. Basis of Presentation**

The District accounts for its financial transactions in accordance with the policies and procedures for California special districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP), and as prescribed by the Governmental Accounting Standards Board (GASB) and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

**C. Basis of Accounting**

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. The District has only one fund, its main operating fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net position. 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.

**BAYSHORE SANITARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**C. Basis of Accounting - continued**

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes, result from non-exchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. As permitted by Governmental Accounting Standards Board's statement number 20, the District applies all applicable GASB pronouncements as well as all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989.

**D. Budget**

Annually, the Board adopts an operating budget. This budget is revised by the Board during the year, if necessary, to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The budget presented on page 18 is not on GAAP basis, as it presents capital improvements as an expense as opposed to a capitalized item.

**E. Property, Plant, Equipment, and Depreciation**

Capital assets, which include property, plant, and equipment are recorded at historical costs or estimated historical cost, if actual cost is not available. Contributed assets are recorded at estimated fair value on the date of contribution. The District has historically capitalized assets with a value of greater than \$5,000 with an estimated useful life greater than one year.

Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows: Buildings – 50 years; sewage collection system – 80 years; and furniture and equipment – 5-20 years.

**F. Statement of Cash Flows**

For purposes of the statement of cash flows, all highly-liquid investments with maturities of three months or less, when purchased, are considered to be cash equivalents. The District did not incur any interest expense during the year presented. All investments at June 30, 2020, are considered cash equivalents.

**BAYSHORE SANITARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**G. Use of Estimates**

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

**H. Revenues – Connection Fees**

Connection fees represent a one-time contribution of resources to the District imposed on contractors and developers for the purpose of financing growth-related construction and improvements. Connection fees are recognized as other capital contributions in the statement of revenues, expenses, and changes in net position.

**I. Accounts Receivable**

Management believes that the District's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

**J. Property Tax Revenues and Sanitation Service Charges**

Property taxes and sewer service charges are billed and collected by the County of San Mateo through the property tax billings. Real property taxes are levied against owners of record. The taxes are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Property taxes are based on assessed values of real property. A revaluation of all real property must be made upon sale or completion of construction.

**K. GASB Statement 63**

The District has adopted the provisions of GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and, consequently, the statement of net assets to the statement of net position. The District had no deferred inflows or outflows of resources as of June 30, 2020.

**BAYSHORE SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 2: DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Cash and cash equivalents as of June 30, 2020, consist of the following:

Deposits with financial institutions	\$ 2,739,747
State Investment Pool	<u>2,729,054</u>
Total Deposits and Investments	<u>\$ 5,468,801</u>

**General Authorizations**

Unless otherwise expressly approved by the District Board, funds available for investment shall be deposited and/or invested only as follows:

- Federal Deposit Insurance Corporation-issued accounts in banks or savings and loan associations as permitted by CGC 53635
- The Local Agency Investment Fund (LAIF) created by CGC 16429.1

The following investments are prohibited by the District under the provisions of CGC 53601.6 and 63631.5: Inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment that may result in a zero interest accrual if held to maturity.

The District's investments were in compliance with the above provisions as of and for the year ended June 30, 2020.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing only shorter-term investments, as necessary, to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
State Investment Pool	<u>\$ 2,729,054</u>	1.05 years

**BAYSHORE SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 2: DEPOSITS AND INVESTMENTS - continued**

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The state investment pool is not rated.

**Concentration of Credit Risk**

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code.

**Custodial Credit Risk – Deposits**

This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2020, the District's bank balance of \$2,793,509 with a reported balance of \$2,739,747, is collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Custodial Credit Risk – Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. However, the District's policy states that all security transactions entered into by the Bayshore Sanitary District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the Bayshore Sanitary District by book entry, physical delivery, or by third party custodial agreement (CGC 53601).



**BAYSHORE SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 2: DEPOSITS AND INVESTMENTS - continued**

**Investment in the State Investment Pool**

The District is a voluntary participant in the LAIF that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

**NOTE 3: CAPITAL ASSETS**

Changes in the District's capital assets and related accumulated depreciation for the year ended June 30, 2020, are summarized as follows:

	Balance July 1, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital Assets, non-depreciable:					
Land	\$ 54,424	\$ -	\$ -	\$ -	\$ 54,424
Construction in Progress	29,777	11,011	(8,341)	(21,436)	11,011
Total, non-depreciable	<u>84,201</u>	<u>11,011</u>	<u>(8,341)</u>	<u>(21,436)</u>	<u>65,435</u>
Capital Assets, depreciable:					
Buildings	567,850	-	-	-	567,850
Sewage collection system	3,386,686	13,325	-	21,436	3,421,447
Furniture and equipment	15,747	-	-	-	15,747
Total, depreciable	<u>3,970,283</u>	<u>13,325</u>	<u>-</u>	<u>21,436</u>	<u>4,005,044</u>
Accumulated depreciation	<u>(1,591,281)</u>	<u>(56,082)</u>	<u>-</u>	<u>-</u>	<u>(1,647,363)</u>
Total capital assets, net	<u><u>\$2,463,203</u></u>	<u><u>\$(31,746)</u></u>	<u><u>\$ (8,341)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,423,116</u></u>

The District's depreciation expense for the fiscal year ended June 30, 2020 was \$56,082.

**BAYSHORE SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 4: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions injuries to employees; and natural disaster. The District joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 53 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to CSRMA for its Pooled Liability and Property Damage insurance.

CSRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2019 (most recent information available):

Total Assets	\$ 26,991,334
Total Liabilities	20,588,497
Equity	<u>6,402,837</u>
Total revenues	<u>13,274,331</u>
Total expenses	<u>\$ 14,577,244</u>

The policy includes coverage limits of \$1,000,000 per occurrence/\$3,000,000 in aggregate for Commercial General Liability; limits of \$1,000,000 per occurrence/\$1,000,000 in aggregate for Excess General Liability and Errors & Omissions.

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

The District is exposed to litigation that arises from the normal course of business. It is the assertion of legal counsel and management that no litigation exists at June 30, 2020 that will adversely affect the District's financial position.

**NOTE 6: SUBSEQUENT EVENTS**

The District has reviewed events through August 27, 2020. In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent. The economic impact on the State of California and the County of San Mateo as yet has not been determined and, therefore, any potential impact on the District is not yet known.

**SUPPLEMENTARY INFORMATION**

**BAYSHORE SANITARY DISTRICT**  
**COMPARATIVE STATEMENT OF OPERATING EXPENSES WITH BUDGET**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2020**

<b>Operating expenses</b>	<u>Budget</u>	<u>Actual</u>	<u>Under (Over) Budget</u>
Sewage treatment			
Sewage treatment expense	\$ 1,000,000	\$ 1,016,980	\$ (16,980)
Sewage collection			
Gas and oil	500	-	500
Operation and maintenance	118,000	111,219	6,781
Repairs and maintenance	15,000	9,459	5,541
Utilities	18,000	16,180	1,820
Special services	2,500	2,180	320
Outside spill response & cleaning service	72,000	63,637	8,363
Depreciation	-	56,082	(56,082)
Total sewage collection	<u>226,000</u>	<u>258,757</u>	<u>(32,757)</u>
Administrative and general			
Payroll & Benefits	14,900	13,081	1,819
Director fees	15,000	11,400	3,600
Election expenses	-	-	-
Insurance	11,000	9,547	1,453
Licenses and permits	6,000	4,714	1,286
Memberships	2,500	1,779	721
Office expense	6,000	4,476	1,524
Audit and accounting fees	11,500	11,486	14
Legal fees	20,000	12,884	7,116
Other services	3,800	4,360	(560)
Engineering fees	65,000	41,571	23,429
Administration	21,000	18,855	2,145
Printing and publications	1,500	1,608	(108)
Travel and meetings	7,500	88	7,412
Repairs and maintenance (board room)	5,000	-	5,000
Capital improvements	150,000	24,336	125,664
Total administrative and general	<u>340,700</u>	<u>160,185</u>	<u>180,515</u>
Total operating expenses	<u>\$ 1,566,700</u>	<u>\$ 1,435,922</u>	<u>\$ 130,778</u>