

**BODEGA BAY PUBLIC UTILITY
DISTRICT**

BODEGA BAY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bodega Bay Public Utility District
Bodega Bay, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Bodega Bay Public Utility District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bodega Bay Public Utility District's basic financial statements as listed in the table of contents. The prior year summarized information has been derived from Bodega Bay Public Utility District's June 30, 2019 financial statements and, in our report dated November 20, 2019, we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Bodega Bay Public Utility District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bodega Bay Public Utility District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Bodega Bay Public Utility District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts.

Board of Directors
Bodega Bay Public Utility District

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and required supplementary information on pages 22-23, as listed in the table of contents, be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. J. Ricciardi, Inc.

R. J Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 13, 2021

Bodega Bay Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

This section of Bodega Bay Public Utility District's (the District's) annual financial report presents our analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: Financial Statements and the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

The District operates as a utility enterprise, which means that it relies mainly on water and sewer rates and charges to fund its operation. The Financial Statements of the District report information about the District using the full accrual basis of accounting. These statements offer short and long-term financial information about the District's activities.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District's creditors (liabilities). It also provides the basis for 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. This statement measures the success of the District's operations over the past year and can be used to determine the District's credit worthiness and whether the District has successfully recovered all its costs through user fees and other charges.

The final financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investments. It also provides answers to questions such as: where did cash come from, what was cash used for, and what was the change in cash balance during the year.

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about an entity's finances is "As a whole, are we better off or worse off as a result of the year's activities?" 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 helps answer this question. These two statements report the net position of the District and changes in net position.

The following condensed financial information provides an overview of the District's financial activities for the fiscal years ended June 30, 2020 and June 30, 2019.

NET POSITION

Net position, (the difference between assets and liabilities) is one way to measure financial health or position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other factors such as desired reserve levels, changes in economic conditions, population growth, housing trends and government legislation.

Bodega Bay Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2020

The largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, water supply and distribution system, sewer collection system and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance: unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of fiscal years June 30, 2020 and June 30, 2019, the District was able to report positive balances in all three categories of net position.

The following table summarizes the District's net position as of June 30:

Table 1
Net Position

	2020	2019
Assets:		
Current and other assets	\$ 3,623,228	\$ 3,747,808
Capital assets, net of accumulated depreciation	11,215,375	10,151,425
Total assets	14,838,603	13,899,233
Deferred outflows of resources	133,349	125,202
Liabilities:		
Other liabilities	327,356	371,487
Long-term debt outstanding	4,346,034	4,773,893
Total liabilities	4,673,390	5,145,380
Deferred inflows of resources	251,495	6,305
Net Position:		
Invested in capital assets, net of related debt	8,008,382	6,784,260
Restricted	3,167,188	3,550,000
Unrestricted	(1,258,503)	(1,461,510)
Total net position	\$ 10,047,067	\$ 8,872,750

REVENUES, EXPENSES AND CHANGES IN NET POSITION

While the Statement of Net Position shows the change in financial position from one year to the next, the Statement of Revenues, Expenses and Changes in Net Position provides information concerning the nature and source of these changes.

Revenue – Total operating revenue decreased by \$896 in 2020 as compared to 2019. Other Non-Operating Revenue increased by \$34,646 due to an increase in cash on deposit.

Expenses – Operating expenses decreased by \$33,916, in 2020 as compared to 2019.

Bodega Bay Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2020

The following table summarizes the District's change in net position for the year ended June 30:

Table 2
Changes in Net Position

	2020	2019	Change
Operating revenues	\$ 2,489,108	\$ 2,490,004	\$ (896)
Operating expenses	2,253,555	2,287,471	33,916
Net operating income (loss)	<u>\$ 235,553</u>	<u>\$ 202,533</u>	<u>\$ 33,020</u>
Investment and other income	\$ 581,802	\$ 547,156	\$ 34,646
Non-operating net income	<u>\$ 581,802</u>	<u>\$ 547,156</u>	<u>\$ 34,646</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Table 3
Capital Assets at Year End

	2020	2019
Land	\$ 1,036,986	\$ 1,036,986
Pumping, treatment and supply	4,004,702	3,948,727
Transmission and distribution	2,753,883	2,728,861
Sewer collection system	3,529,705	3,082,013
Sewage treatment and disposal	8,934,206	8,609,957
General plant	1,941,074	1,197,040
Construction in progress	<u>940,559</u>	<u>920,072</u>
Subtotal	23,141,115	21,523,656
Accumulated depreciation	<u>(11,925,740)</u>	<u>(11,372,231)</u>
Net capital assets	<u>\$ 11,215,375</u>	<u>\$ 10,151,425</u>

Capital Assets - At June 30, 2020, the District had \$11,215,375 (net of accumulated depreciation) invested in its water distribution and storage system, wells, sewage collection system, construction in progress, land, buildings, vehicles and equipment.

Additional information regarding the District's capital assets can be found in Note 2, Section B of the Financial Statements.

Long-Term Debt - At year end, the District had \$4,511,861 in long term obligations. More detailed information regarding the District's long-term liabilities can be found in Note 2, Section C of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when adopting the fiscal year 2019/2020 budget. The Board assessed the available reserves, the operating and capital needs of the District, potential customer growth, and potential regulatory impacts.

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the communities served by the District.

Bodega Bay Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The economic condition of the District as it appears on the balance sheet reflects financial stability. The District will continue to maintain a watchful eye over expenditures and remains committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Finance Director or General Manager at Bodega Bay Public Utility District, 265 Doran Park Road, Bodega Bay, California 94923.

Bodega Bay Public Utility District
STATEMENTS OF NET POSITION
 For the Year Ended June 30, 2020
 (With Comparative Totals for the Year Ended June 30, 2019)

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and investments	\$ 275,037	\$ 29,728
Restricted cash and investments:		
Debt service	165,827	160,172
Customer deposits	20,655	19,900
OPEB trust	390,312	
Capital projects	<u>2,590,394</u>	<u>3,369,928</u>
Total cash and investments	<u>3,442,225</u>	<u>3,579,728</u>
Accounts receivable	<u>181,003</u>	<u>168,080</u>
Total current assets	<u>3,623,228</u>	<u>3,747,808</u>
Capital assets:		
Non-depreciable assets	1,977,545	1,957,058
Depreciable assets (net of depreciation)	<u>9,237,830</u>	<u>8,194,367</u>
Total assets	<u>14,838,603</u>	<u>13,899,233</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources - OPEB	<u>133,349</u>	<u>125,202</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	79,700	141,616
Compensated absences	61,174	49,799
Customer deposits	<u>20,655</u>	<u>19,900</u>
Total current liabilities	<u>161,529</u>	<u>211,315</u>
Long-term liabilities:		
Due within one year	165,827	160,172
Due in more than one year	3,041,166	3,206,993
Net OPEB liability	<u>1,304,868</u>	<u>1,566,900</u>
Total long-term liabilities	<u>4,511,861</u>	<u>4,934,065</u>
Total liabilities	<u>4,673,390</u>	<u>5,145,380</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources - OPEB	<u>251,495</u>	<u>6,305</u>
Net position:		
Invested in capital assets, net of related debt	8,008,382	6,784,260
Restricted	3,167,188	3,550,000
Unrestricted	<u>(1,128,503)</u>	<u>(1,461,510)</u>
Total net position	<u>\$ 10,047,067</u>	<u>\$ 8,872,750</u>

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

Bodega Bay Public Utility District
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Operating revenues:		
Water sales	\$ 1,026,875	\$ 967,713
Sewer service charges	1,372,959	1,404,644
Other operating	89,274	117,647
Total operating revenues	2,489,108	2,490,004
Operating expenses:		
Salaries and benefits	954,323	976,747
Fuel	18,798	13,613
Insurance	17,827	32,012
Office expense	51,608	52,298
Operating supplies	46,381	38,715
Professional fees	214,225	209,533
Repairs and maintenance	136,202	172,986
Research and monitoring	46,244	42,062
Utilities	214,133	204,156
Other expenses	305	9,007
Depreciation	553,509	536,342
Total operating expenses	2,253,555	2,287,471
Operating income (loss)	235,553	202,533
Non-operating revenues (expenses):		
Interest and rent revenue	116,980	96,888
Taxes and assessments	464,822	450,268
Total non-operating revenues (expenses)	581,802	547,156
Changes in net position	817,355	749,689
Net position, beginning of period, as previously stated	8,872,750	8,123,061
Restatement	356,962	-
Net position, beginning of period, as restated	9,229,712	8,123,061
Net position, end of period	\$ 10,047,067	\$ 8,872,750

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

Bodega Bay Public Utility District
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Receipts from customers	\$ 2,476,185	\$ 2,497,619
Payments to suppliers	(791,884)	(732,284)
Payments to employees	(625,975)	(966,379)
Net cash provided (used) by operating activities	1,058,326	798,956
Cash flows from non-capital financing activities:		
Taxes and assessments	464,822	450,268
Net cash provided (used) by non-capital financing activities	464,822	450,268
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,617,459)	(852,397)
Payment on current portion of bonds	(160,172)	(154,710)
Net cash provided (used) by capital and related financing activities	(1,777,631)	(1,007,107)
Cash flows from investing activities:		
Interest earned	116,980	96,888
Net cash provided by investing activities	116,980	96,888
Net increase (decrease) in cash and cash equivalents	(137,503)	339,005
Cash and cash equivalents - beginning of period	3,579,728	3,240,723
Cash and cash equivalents - end of period	\$ 3,442,225	\$ 3,579,728
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	\$ 235,553	\$ 202,533
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	553,509	536,342
Restatement	356,962	-
Changes in certain assets and liabilities:		
Accounts receivable	(12,923)	7,615
Accounts payable	(61,916)	43,348
Compensated absences	11,375	7,052
Customer deposits	755	(1,250)
OPEB liability	(262,032)	4,324
Deferred outflow of resources	(8,147)	-
Deferred inflow of resources	245,190	(1,008)
Net cash provided (used) by operating activities	\$ 1,058,326	\$ 798,956

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

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Bodega Bay Public Utility District (the District) was incorporated in 1948 under the statutes of the State of California for the purpose of furnishing potable water within the District. In 1975, the District acquired the wastewater treatment plant and treats effluent to secondary/tertiary standards. The District is located in the western coastal portion of Sonoma County and serves the unincorporated community of Bodega Bay. The District currently has 1,084 water connections and 1,044 sewer connections, serving a population of approximately 1,077 (2010 census). The District currently employs 9 persons and is governed by a publicly elected five member Board of Directors.

The major activities include the production of groundwater and the delivery of water to domestic and commercial accounts. The District operates water treatment facilities and maintains over 21 miles of water mains. The other major activities include the collection, storage, treatment, and disposal of wastewater. The District operates the wastewater treatment facility, holding ponds, 8 lift stations, maintains over 15 miles of effluent lines, and provides secondary/tertiary wastewater for irrigation to the Bodega Harbor golf course and on the North Disposal Site owned by the District.

B. Financial Statements

The basic financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position and statement of cash flows) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The District accounts for its water and sewer departments in one single enterprise fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes, water service charges, water sales, wastewater fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District is engaged primarily in business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and these notes to the basic financial statements.

Proprietary enterprise funds distinguish *operating* revenues and expenses with *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operation revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF). Investments are reported at fair value.

LAIF is part of the Pooled Money Investment Account managed by the California State Treasurer and funds are invested in accordance with Government Code Sections 16430 and 16480. Participants in LAIF have the right to withdraw their funds with one day's notice. At June 30, 2020, the fair value of LAIF's assets was approximately equal to the District's share as reported above. Restriction of cash is required by Board resolution or District ordinance to equal required reserves.

Receivables and Property Taxes

All trade receivables are not shown net of an allowance for uncollectibles.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Sonoma collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes.

Inventories and Prepaid Items

All inventories are valued at cost based upon physical determinations made at the end of each year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Cash Equivalents and Investments

Cash equivalents and investments restricted for use in only capital projects or debt service are reported as noncurrent assets. The District follows the practice of reporting in this category the funds received from the issuance of the Installment Purchase Agreements for the purpose of financing the design, construction, replacement and improvement of District facilities. Special assessments receivable are restricted for the repayment of the Loan Payable to the State of California and are therefore also reported as restricted assets.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing water distribution and wastewater collection system), are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of construction period interest revenues earned during such periods.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water treatment plant	30-40
Wastewater collection system	30-40
Buildings and improvements	30-40
Vehicles, trucks and equipment	5-10

Compensated Absences, Sick Leave, Other Post-Employment Benefits Other Than Pensions and Claims

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid vacation and sick leave is recorded in the financial statements when the liability is incurred and vacation is reported as the current portion of such compensated absences. The total amount of compensated absences payable at June 30, 2020 was \$61,174.

The District's compensated absences policy permits employees to accumulate earned but unused sick benefits up to 240 hours and vacation benefits up to 320 hours.

Any excess accumulation of sick leave is converted to vacation benefits at the rate of one-half hour for every one hour of sick leave. Any excess accumulated vacation is forfeited. Upon termination, retirement, or death of an employee, the District pays any accrued vacation in a lump-sum payment to the employee or beneficiary.

The District accounts for other post-employment benefits (OPEB), using actuarial information and by accruing as a liability the difference each year between the District's annual required contribution (ARC) and actual contributions made to the Plan for retiree medical benefits.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Assets, Liabilities, and Net Position (concluded)

The District obtains insurance coverage for property and equipment, fidelity bonds, automobile liability and general liability, and workers compensation insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority (the Authority). The risk of loss is transferred from the District to the Authority in exchange for the District's payment of annual premiums. Incurred and unbilled claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance.

Long-term Obligations

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Discounts associated with the issuance of long-term debt obligations are reported as a reduction of the carrying value of the related debt obligation, and are amortized to interest expense over the life of the debt instrument. Costs associated with the issuance of the debt are capitalized as other non-current assets and are amortized to expense over the life of the debt obligation.

Net Position

In the financial statements, fund net position is reported in three categories as follows:

- Invested in capital assets, net of related debt - This category of net position reports the net book value of capital assets used in District operations including construction in progress all net of related accumulated depreciation, and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets.
- Restricted for debt service and capital projects - This category of net position reports all unspent proceeds from the issuance of long-term debt restricted for capital asset improvement, replacement, or construction net of the related long-term debt. It also includes funds restricted for debt service payment and reserve requirements.
- Unrestricted - Unrestricted net position represents all other assets net of related liabilities available for use by the District.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for its OPEB plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its OPEB plan.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 2 - DETAILED NOTES

A. Cash Equivalents and Investments

Cash equivalents and investments consisted of the following at June 30:

	2020	2019
Cash:		
Demand accounts at Bank of America	\$ 275,037	\$ 29,728
Total cash	\$ 275,037	\$ 29,728
	2020	2019
Restricted cash:		
Public Agency Retirement Services	\$ 390,312	
State Treasurer's pool (LAIF)	2,776,876	\$ 3,126,079
Total restricted cash	\$ 3,167,188	\$ 3,126,079

At June 30, 2020, the District maintained the majority of its cash in the Bank of America and the State of California LAIF pooled investment funds. Balances in Bank of America are insured by the Federal Deposit Insurance Corporation up to \$250,000, are collateralized by securities at 110% of the balance, and consist of checking and savings accounts.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal depository insurance.

The LAIF funds invest deposits of the District, counties, various schools and other special districts primarily in cash equivalents, as prescribed by the California Government Code. Balances are stated at cost, which is approximately market value. Each participating agency is allocated realized investment gains, losses, and interest based on average daily balances invested. Copies of financial statements for LAIF may be obtained from the California State Treasurer at:

<http://www.treasurer.ca.gov/pmia-laif/reports.asp>

Fair Value Reporting - Investments

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the District's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The District's holdings are classified in Level 1 of the fair value hierarchy.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - DETAILED NOTES (continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/19</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/20</u>
Capital assets, not being depreciated:				
Land	\$ 1,036,986	\$ -	\$ -	\$ 1,036,986
Construction in progress	<u>920,072</u>	<u>1,182,810</u>	<u>1,162,323</u>	<u>940,559</u>
Total capital assets, not being depreciated	<u>1,957,058</u>	<u>1,182,810</u>	<u>1,162,323</u>	<u>1,977,545</u>
Capital assets, being depreciated:				
Pumping, treatment and supply	3,948,727	55,975	-	4,004,702
Transmission and distribution	2,728,861	25,022	-	2,753,883
Sewer collection system	3,082,013	447,692	-	3,529,705
Sewage treatment and disposal	8,609,957	324,249	-	8,934,206
General plant	<u>1,197,040</u>	<u>744,034</u>	<u>-</u>	<u>1,941,074</u>
Total capital assets, being depreciated	<u>19,566,598</u>	<u>1,596,972</u>	<u>-</u>	<u>21,163,570</u>
Total accumulated depreciation	<u>(11,372,231)</u>	<u>(553,509)</u>	<u>-</u>	<u>(11,925,740)</u>
Total capital assets being depreciated – net	<u>8,194,367</u>	<u>1,043,463</u>	<u>-</u>	<u>9,237,830</u>
Capital assets – net	<u>\$ 10,151,425</u>	<u>\$ 2,226,273</u>	<u>\$ 1,162,323</u>	<u>\$ 11,215,375</u>

C. Long-Term Debt

Long-term debt activity for the year ended June 30, 2020 was as follows:

<u>Business-Type Activity</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Municipal Finance Corporation	\$ 2,070,870	\$ -	\$ 98,511	\$ 1,972,359	\$ 101,987
Municipal Finance Corporation	1,296,295	-	61,661	1,234,634	63,840
Other Postemployment benefits	<u>1,566,900</u>	<u>-</u>	<u>262,032</u>	<u>1,304,868</u>	<u>-</u>
Total	<u>\$ 4,934,065</u>	<u>\$ -</u>	<u>\$ 422,204</u>	<u>\$ 4,511,861</u>	<u>\$ 165,827</u>

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 2 - DETAILED NOTES (continued)

C. Long-Term Debt (continued)

Municipal Finance Corporation: Note payable to Municipal Finance Corporation, due April 2035, with interest at 3.5 percent and semi-annual principal and interest payments.

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 101,987	\$ 68,148	\$ 170,135
2022	105,588	64,547	170,135
2023	109,315	60,819	170,134
2024	113,175	56,960	170,135
2025	117,171	52,964	170,135
2026	121,308	48,827	170,135
2027	125,591	44,544	170,135
2028	130,025	40,110	170,135
2029	134,615	35,519	170,134
2030	139,368	30,767	170,135
2031	144,289	25,846	170,135
2032	149,383	20,752	170,135
2033	154,657	15,478	170,135
2034	160,118	10,017	170,135
2035	<u>165,769</u>	<u>4,364</u>	<u>170,133</u>
Total	<u>\$ 1,972,359</u>	<u>\$ 579,662</u>	<u>\$ 2,552,021</u>

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 2 - DETAILED NOTES (concluded)

C. Long-Term Debt (concluded)

Municipal Finance Corporation: Note payable to Municipal Finance Corporation, due April 2035, with interest at 3.5 percent and semi-annual principal and interest payments.

Year End June 30	Principal	Interest	Total
2021	\$ 63,840	\$ 42,658	\$ 106,498
2022	66,094	40,404	106,498
2023	68,428	38,071	106,499
2024	70,844	35,655	106,499
2025	73,345	33,154	106,499
2026	75,935	30,564	106,499
2027	78,616	27,883	106,499
2028	81,391	25,108	106,499
2029	84,265	22,234	106,499
2030	87,240	19,259	106,499
2031	90,320	16,179	106,499
2032	93,509	12,990	106,499
2033	96,810	9,688	106,498
2034	100,228	6,270	106,498
2035	<u>103,769</u>	<u>2,732</u>	<u>106,501</u>
Total	<u>\$ 1,234,634</u>	<u>\$ 362,849</u>	<u>\$ 1,597,483</u>

NOTE 3 - OTHER INFORMATION

A. Risk Management

The District obtains general liability, property, automobile, and workers compensation insurance through its membership in the Association of California Water Agencies Joint Powers Insurance Authority (the Authority). The Authority is responsible for the first \$2 million per claim under its liability coverage program, and members are covered up to \$50 million for liability claims under the Authority's purchased excess insurance policies with a \$60 million aggregate limit on \$20 million excess layer, and \$30 million aggregate on each of the next \$5 million excess layers. Members are covered for \$100 million in regard to property and equipment through the Authority's purchased excess coverage. Workers compensation coverage is provided to the District equal to statutory limits. The Authority also provides automobile liability coverage and errors and omissions coverage up to \$50 million, and employee fidelity coverage up to \$100,000. There were no significant changes in coverage in fiscal year 2020 as regards to the aggregate limits on excess coverage.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 3 - OTHER INFORMATION (continued)

A. Risk Management (concluded)

The District paid no material uninsured losses during the last three fiscal years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2020.

B. Contingencies and Commitments

Litigation: In the opinion of the District’s general counsel, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements.

C. Retirement System

The District sponsors a 401(k) Plan. The District’s contributions under this Plan are at the Board’s discretion and are based upon total compensation of each participant. Eligibility requires the employee to have performed services for the District for twelve months immediately preceding the plan year for which the contribution is made. Elective contributions are permitted by the Plan. District contributions to the Plan totaled \$31,549 in 2020.

D. Other Post-Employment Benefits (OPEB)

The District contributes toward post-retirement benefits for employees who retire after age 55 with at least 20 years of service. The District will pay 100% of the full monthly premiums for medical, dental and vision coverage for the retired employee. If the retiree works at least 25 years, then 100% of the premiums will be paid for the dependent spouse also. Payments continue for the life of the retiree (and spouse, if covered). Medical, dental and vision coverage is provided under plans sponsored by ACWA (the Association of California Water Agencies)

Membership of the District as of the valuation date consisted of the following:

Active plan members	9
Inactive employees or beneficiaries currently receiving benefit payments	5
Total	14

Contribution

As of June 30, 2020, the District has accumulated \$390,312 in an irrevocable trust toward this liability.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - OTHER INFORMATION (continued)

D. Other Post-Employment Benefits (OPEB) (continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	6.25%
Inflation	2.75%
Aggregate salary increases (individual salary increases based on CalPERS)	3.00%
Investment rate of return	6.25%
Mortality rates	Based on CalPERS tables
Healthcare cost trend rate	4.00% per year in 2021 through 2023, trending up to 4.5% thereafter.

Discount Rate

The cash flows of the OPEB plan were projected to future years, assuming that the District will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 6.25%. The discount rate was changed from 5.00% to 6.25% effective June 30 2016.

The long-term expected rate of return on OPEB investments was determined using PARS's expected long-term mean rate of return.

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Values at June 30, 2018	\$ 1,852,494	\$ 285,594	\$ 1,566,900
Service cost	36,748	-	36,748
Interest	112,830	-	112,830
Differences between actual and expected experience	(263,927)	-	(263,927)
Assumption change	3,128	-	3,128
Employer contributions	-	130,443	(130,443)
Net investment income	-	20,368	(20,368)
Benefits paid to retirees	(94,443)	(94,443)	-
Administrative expense	-	-	-
Net changes	<u>(205,664)</u>	<u>56,368</u>	<u>(262,032)</u>
Values at June 30, 2019	<u>\$ 1,646,830</u>	<u>\$ 341,962</u>	<u>\$ 1,304,868</u>

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - OTHER INFORMATION (continued)

D. Other Post-Employment Benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB Liability of the District, as well as what the District's net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) follows:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
\$ 1,518,466	\$ 1,304,868	\$ 1,127,581

The following presents the Net OPEB Liability (NOL) as well as what the NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point higher or lower than the current healthcare cost trend rates, as of June 30, 2019.

Plan's Net OPEB Liability/(Asset)		
Healthcare Cost		
1% Decrease 3.0% to 3.5%	Trend Rates 4.0% to 4.5%	1% Increase 5.0% to 5.5%
\$ 1,136,507	\$ 1,304,868	\$ 1,510,135

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$110,695. At June 30, 2020, the District reported deferred inflows of resources from OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 130,443	\$ -
Differences between actual and expected experience	-	245,209
Changes in assumptions	2,906	-
Net differences between projected and actual earnings on OPEB plan investments	-	6,286
Total	\$ 133,349	\$ 251,495

\$130,443 reported as deferred outflows of resources related to contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

Bodega Bay Public Utility District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - OTHER INFORMATION (concluded)

D. Other Post-Employment Benefits (OPEB) (concluded)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended</u>	
6/30/21	\$ (21,033)
6/30/22	(21,034)
6/30/23	(19,205)
6/30/24	(18,998)
6/30/25	(18,496)
Thereafter	(149,823)

Additional information relating to the District's Retiree Health Plan and required OPEB disclosures can be obtained from the District's publicly available Comprehensive Annual Financial Report that may be obtained by contacting the Finance Director or General Manager at Bodega Bay Public Utility District, 265 Doran Park Road, Bodega Bay, California 94923.

NOTE 4 - PRIOR PERIOD ADJUSTMENT

The District identified an outstanding payable balance for impairment in the amount of \$15,000. This amount is a result of a prior year audit adjustment. This adjustment will increase the unrestricted fund balance by \$15,000.

The District did not report their restricted section 115 trust assets of \$341,962 in the prior year.

NOTE 5 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Society characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to District's operations includes restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BODEGA BAY'S CONTRIBUTIONS - OPEB
 For the Year Ended June 30, 2020

	2020	2019	2018
Actuarially determined contribution	\$ 130,443	\$ 125,202	\$ 127,424
Contributions in relation to the actuarially determined contribution	<u>130,443</u>	<u>125,202</u>	<u>127,424</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 616,378	\$ 626,875	\$ 660,000
Contributions as a percentage of covered payroll	21.16%	19.97%	19.31%

Notes to Schedule:

The schedules present information to illustrate changes in Bodega Bay's contributions over a ten year period when the information is available.

GASB 75 requires this information for plans funding with OPEB trusts to be reported in the employer's Required Supplemental Information for 10 years or as many years as are available upon implementation. The plan was not funded with an OPEB trust prior to June 30, 2018. The District adopted GASB 75 for the fiscal year ending June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY AND RELATED RATIOS**

For the Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 36,748	\$ 35,678	\$ 34,639
Interest	112,830	109,495	105,719
Benefit payments, included refunds of employee contributions	(94,443)	(89,202)	(70,653)
Difference between expected and actual experience	(263,927)	-	-
Change in assumptions	3,128	-	-
Implicit rate subsidy fulfilled	-	-	-
Net change in total OPEB liability	(205,664)	55,971	69,705
Total OPEB liability - beginning of year	1,852,494	1,796,523	1,726,818
Total OPEB liability - end of year	<u>\$ 1,646,830</u>	<u>\$ 1,852,494</u>	<u>\$ 1,796,523</u>
Plan Fiduciary Net Position			
Net investment income	\$ 20,368	\$ 15,647	\$ 20,247
Contributions			
Employer - explicit subsidy	130,443	125,202	106,653
Employer - implicit subsidy	-	-	-
Benefit payments, included refunds of employee contributions	(94,443)	(89,202)	(70,653)
Implicit rate subsidy fulfilled	-	-	-
Administrative expense	-	-	-
Net change in plan fiduciary net position	56,368	51,647	56,247
Plan fiduciary net position - beginning of year	285,594	233,947	177,700
Plan fiduciary net position - end of year	<u>341,962</u>	<u>285,594</u>	<u>233,947</u>
District's net OPEB liability - end of year	<u>\$ 1,304,868</u>	<u>\$ 1,566,900</u>	<u>\$ 1,562,576</u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.76%	15.42%	13.02%
Covered-employee payroll	\$ 616,378	\$ 626,875	\$ 660,000
Net OPEB liability as a percentage of covered-employee payroll	211.70%	249.95%	236.75%

Notes to Schedule:

The schedules present information to illustrate changes in Bodega Bay Public Utility District's changes in the net OPEB liability over a ten year period when the information is available. The District adopted GASB 75 for the fiscal year ending June 30, 2018.