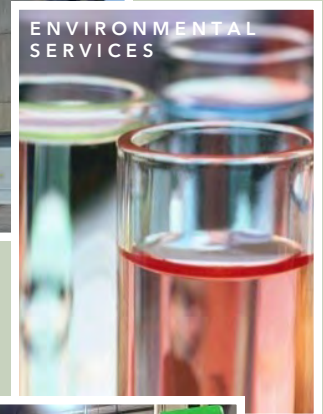


# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JULY 1, 2022 – JUNE 30, 2023



## CENTRAL MARIN SANITATION AGENCY



**Central Marin Sanitation Agency**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**July 1, 2022 – June 30, 2023**



1301 Andersen Drive, San Rafael CA 94901  
Kenneth Spray, Treasurer/Controller/Administrative Services Manager  
Prepared by the Administration Department staff

**[www.cmsa.us/finance](http://www.cmsa.us/finance)**

**CENTRAL MARIN SANITATION AGENCY  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR FISCAL YEAR JULY 1, 2022 THROUGH JUNE 30, 2023**

**TABLE OF CONTENTS (ToC)  
(sections and sub-sections are hyperlinked)**

**Introductory Section**

Letter of Transmittal	6
Location and Service Area	8
Organization and Business	9
Economic Condition and Outlook	10
Major Initiatives	12
Financial Information	41
Organizational Chart and CMSA Authorized Staff Positions Table	51
Certificate of Achievement for Excellence in Financial Reporting	53
Award of Financial Reporting Achievement	55

**Financial Section (Audited Financial Statements)**

Independent Auditors' Report	59
Management Discussion and Analysis	63

*Financial Statements:*

Statements of Net Position	72
Statements of Revenues, Expenses and Changes in Net Position	73
Statements of Cash Flows	74
Notes to Financial Statements	76

*Required Supplementary Information:*

Schedule of Proportionate Share of Net Pension Liability	105
Schedule of Agency's Pension Plan Contributions	105
Schedule of Changes in the Net OPEB Liability and Related Ratios	106
Schedule of OPEB Contributions	107

*Other Independent Auditor's Reports:*

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	108
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**Statistical Section**

Statistical Section Overview	111
Schedule 1: Statement of Net Position	113
Schedule 2: Statement of Revenues, Expenses and Changes in Net Position	114
Schedule 3: Operating Revenue by Source	115
Schedule 4: Operating Expenses by Function	116

Schedule 5: Non-Operating Revenues and Expenses	117
Schedule 6: Capital Contributions	118
Schedule 7: Capital Additions	119
Schedule 8: Major Revenue Rates and Base	120
Schedule 9: Annual Flows into CMSA in Million Gallons and Pounds - Volume and Strength of Wastewater Treated	121
Schedule 10: Member Agencies and San Quentin Prison Actual Reported Equivalent Dwelling Units (EDUs)	122
Schedule 11: Long-Term Debt Outstanding - Pension Obligation and Revenue Bonds	123
Schedule 12: Pledged Revenue Coverage	124
Schedule 13: Right-of-Use Leases and Subscription-Based	125
Schedule 14: Demographic and Economic Statistics	126
Schedule 15: Ten Largest Employers Statistic	127
Schedule 16: Authorized Staffing by Department	128
Schedule 17: Wastewater Treated and Biosolids Treated	129
<b><u>Agency and Contact Information</u></b>	131
<b><u>Appendix A</u></b>	
Agency Mission, Vision, and Values	133
<b><u>Appendix B</u></b>	
Key Terms and Financial Glossary with Acronym Listing	135

## **INTRODUCTORY SECTION**



December 12, 2023

Honorable Board of Commissioners and  
Customers of the Central Marin Sanitation Agency  
San Rafael, California

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Marin Sanitation Agency (CMSA) for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the twenty-first consecutive year that CMSA has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a one-year period only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We are pleased to present CMSA's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This report provides an overview of the Agency's financial activities during the past fiscal year and has been prepared by CMSA staff for the benefit of the Board of Commissioners and other stakeholders who may have interest in the financial position of the Agency. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, rests with the Agency. CMSA's Management is responsible for the contents of the ACFR, and to the best of our knowledge and belief, the enclosed information is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of CMSA. All disclosures necessary to enable the reader to gain an understanding of CMSA's enterprise activities have been included.

California statutes require that CMSA report on its financial position and results of operations on an annual basis. This report contains the Agency's financial statements which have been audited by an independent accounting firm and have been accepted by the Agency's Board of Commissioners. CMSA's independent auditor, Cropper Accountancy Corporation, concluded that the Agency's financial statements present the financial position of CMSA fairly and in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

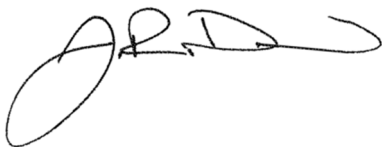
Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The reporting entity for CMSA is defined as a legally separate stand-alone governmental entity that is not financially accountable for any component unit or any other organization. Financial activity for the Agency is accounted for and reported as though it were a primary government in accordance with government accounting standards. This report is presented in three sections, introductory, financial, and statistical, as summarized below.

- *Introductory Section:* includes discussions of Board-approved major initiatives related to Agency capital projects, major maintenance activities, programs, policies, and financial operations. It also includes an informational profile of the Agency and its service area, an organizational chart, as well as a listing of Agency officials.
- *Financial Section:* comprises the Independent Auditor's Report and the basic financial statements, which includes MD&A, financial statements, accompanying notes to the financial statements, and required supplementary information. The MD&A contains condensed financial statements and statement analyses, including an explanation of variations between fiscal years. The required supplementary information contains information in connection with the Agency's pension and other post-employment benefit plans.
- *Statistical Section:* provides historical data on Agency finances, staffing, and operations, and service area demographics generally presented on a 10-year basis.

In submitting the Annual Comprehensive Financial Report, we express sincere appreciation to the Board of Commissioners for their ongoing oversight of the financial and operational activities of the Agency, as well as their continued support of Agency staff. We also thank Agency staff for their ideas and contributions. Special acknowledgement is given to the Administrative and Finance staff for their efforts in preparing this report.

Sincerely,



Jason R. Dow, PE  
General Manager

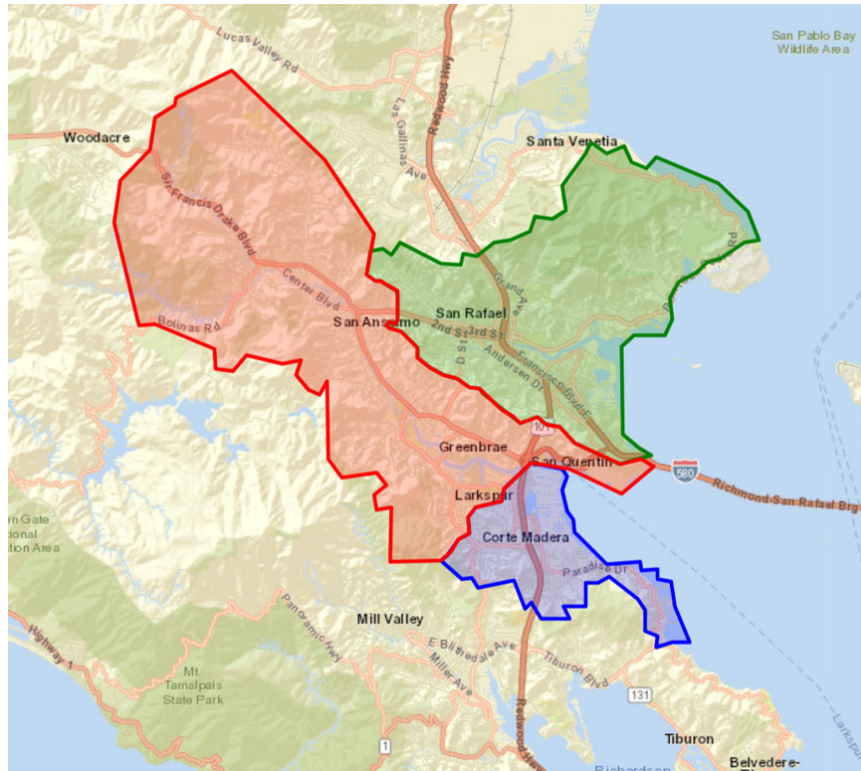


Kenneth Spray, CPA  
Administrative Services Manager

**LOCATION AND SERVICE AREA**

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves residents, businesses and institutions located in central Marin County. The Agency is in San Rafael, California, adjacent to the Richmond-San Rafael Bridge. The CMSA service area is approximately 43.5 square miles, and includes the Towns of Corte Madera, San Anselmo, Fairfax, and Ross, portions of the City of San Rafael, City of Larkspur, San Quentin State Prison (SQSP), and the unincorporated areas within San Rafael, the Tiburon peninsula, Ross Valley, and San Quentin Village (SQV). The April 2020 census reported Marin County has a total population of 262,321. For the Fiscal Year 2022-2023 (FY23), the Agency provided services to an approximate population of 105,040 or 51,268 equivalent dwelling units (EDUs).

The shaded areas show the location of CMSA service area (RVSD: red, SRSD: green, SD2: blue).



**Population of Cities, Towns, and Correctional Facilities in the CMSA Service Area\***

City of San Rafael (Approximately 2/3 of the city’s population)	40,001
City of Larkspur	12,764
Town of San Anselmo	12,569
Town of Corte Madera	10,006
Unincorporated CMSA Service Area (SQV, Greenbrae, Tiburon Peninsula)	7,491
Town of Fairfax	7,423
Kentfield	6,808
San Quentin State Prison	3,239
Sleepy Hollow	2,401
Town of Ross	2,338

\*Sources: United States Census Bureau State and County Quick Facts (2020 Census & 2022 estimates), Bureau of Economic Analysis; San Quentin State Prison 2023 SB601 Report



## **ORGANIZATION AND BUSINESS**

In the 1970's, central Marin County had four small wastewater treatment plants whose operations were not able to meet the stringent requirements of the 1972 Clean Water Act. Four local agencies that provided wastewater services in the area, San Rafael Sanitation District (SRSD), Ross Valley Sanitary District (RVSD), Sanitary District No. 2 of Marin County (SD2), and the City of Larkspur (Larkspur) entered into a joint powers agreement (JPA) in October 1979 to create a separate governmental entity, the Central Marin Sanitation Agency, to oversee the construction and operation of a regional wastewater treatment facility. SQSP, which represents the largest single customer of wastewater treatment services in the combined service area, opted not to join the JPA, but rather to contract for wastewater services. The treatment facility was constructed at a cost of \$84 million and was funded by federal (75%) and state (12.5%) clean water grants, as well as local shares (12.5%) from the local wastewater agencies and SQSP. Larkspur's wastewater service area was annexed by RVSD in 1993, and Larkspur later withdrew from the JPA in January 2020.

The Agency's governing body, a Board of Commissioners (Board), consists of individuals appointed by the JPA member agencies. SRSD and RVSD each have two members on the Commission while SD2 has one member. The five-member Board sets policy for the Agency. The Board appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board. The General Manager is the chief administrative officer responsible for the Agency's day-to-day operations and long-term planning in accordance with the Board's policies and approved budget. The Treasurer/Controller is charged with overall financial responsibility in accordance with established Agency policies.

The CMSA wastewater treatment facility began operations in January 1985. The treated wastewater discharged into the central San Francisco Bay as clean effluent consistently exceeds all federal, state, and regional regulatory requirements. Since its inception, CMSA has successfully carried out its mission of protecting public health and the environment through the planning, administration, and coordination of wastewater and biosolids treatment, disposal, and reuse for central Marin County. CMSA also provides other services to benefit its customers and the environment, including (1) participating in federal pretreatment and regional pollution prevention programs, (2) providing wastewater collection system maintenance, source control, and other services under contract to local agencies, (3) managing an award winning comprehensive countywide public education program, (4) serving as the lead agency for administering a comprehensive safety program with another wastewater agency in the county, and (5) providing recycled water and renewable energy.

CMSA's wastewater treatment process consists of (1) screening and grit removal, followed by (2) primary and secondary treatment processing, then (3) the clean wastewater is disinfected and dechlorinated before (4) being discharged into San Francisco Bay. In FY10, CMSA completed the Wet Weather Improvement Program that increased the Agency's hydraulic and processing capacity from 90 million gallons per day (MGD) to over 125 MGD, and discharge capacity to over 155 MGD. The treatment facility also produces nearly all of its own electrical and heating needs using a cogeneration system fueled by biogas gas that is produced by the treatment plants' two anaerobic digesters.

**ECONOMIC CONDITION AND OUTLOOK**

Marin County has a total population of 262,321 with a growth rate of less than one percent annually. The county’s residents continue to have California’s highest per capita income of \$164,118 per household. The population growth rate and per capital household income in the CMSA service area mirrors that of the County.

Marin’s 2.7% average unemployment rate is one of the lowest rates in California and remained below national levels (3.6%) at the end of FY23. Seven of the top ten employers as measured by the number of employees in the CMSA service area are governmental entities.

**Ten of the Largest Employers & Number of Employees in CMSA Service Area**

1. BioMarin	1,700	6. College of Marin	512
2. MarinHealth Medical Center	1,650	7. Restoration Hardware	500
3. San Quentin State Prison	1,531	8. City of San Rafael	420
4. Dominican University	1,033	9. San Rafael City Schools	404
5. Golden Gate Transit	845	10. Tamalpais Union High School District	368

The local housing market continued to improve through December 2022 but has begun to decline with the rise in mortgage interest rates. The annual mean/median sale price for a home in Marin as reported by the Marin County Assessor Office for the year ending December 31, 2022 was \$1,909,245/\$1,500,000 for a mean home living area of 1,997 square feet, compared to \$1,829,342/\$1,400,000 and 2,067 square feet reported in December 2021. A downward trend began January through June 2023 where the county reported \$1,777,765/\$1,370,006 for mean/median sales data statistics and a mean home living area of 1,938 square feet.

The Agency’s revenue structure is based on fee for service. The Agency invoices for service charges quarterly and the member agencies in turn remit the revenue to CMSA. Sewer system capacity charges are remitted upon connection of new or expansion of existing service to the wastewater system. In accordance with the JPA agreement, member agencies are responsible for billing and collection of sewer service charges from property owners in their service area. Member agencies place service charges on the Marin County Tax Bill, and the County collects from property owners through the property tax collection system, then remits the collected revenue to JPA member agencies who in turn remit service charge revenues to CMSA.

**EDU Count by Connection Types for FY23**

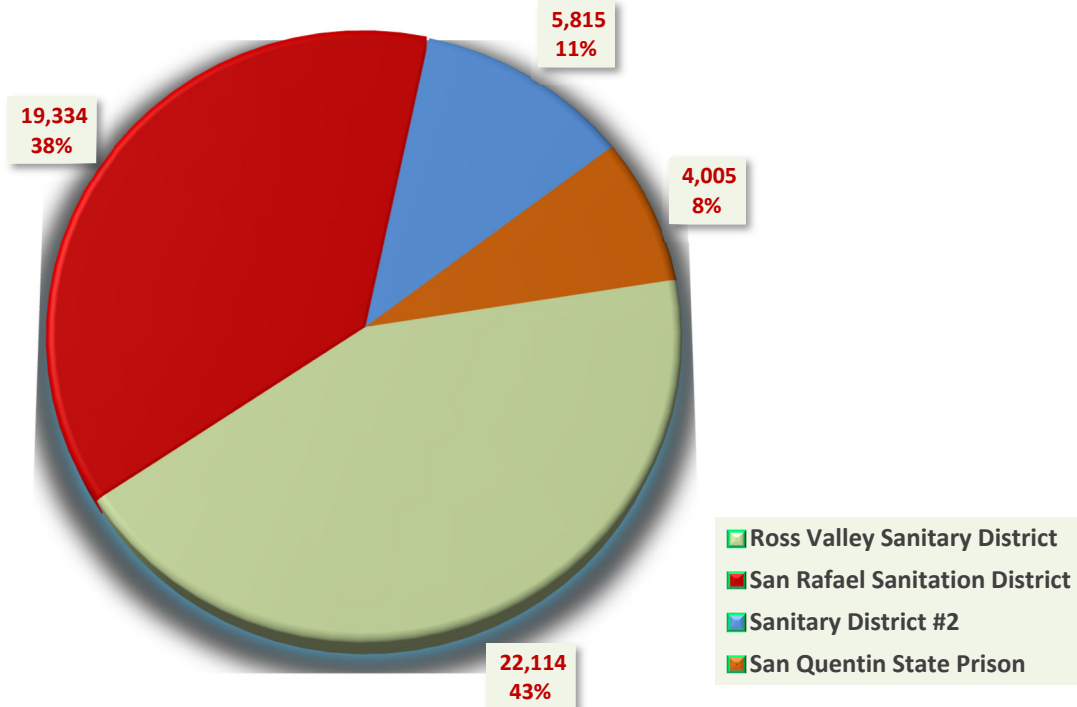
(Source: Property Tax Reports, County of Marin)

	<b>San Rafael Sanitation District</b>	<b>Ross Valley Sanitary District</b>	<b>Sanitary District #2</b>	<b>San Quentin State Prison</b>	<b>TOTAL</b>
Residential	15,745	19,032	4,603	N/A	39,380
Commercial	3,441	2,584	1,052	N/A	7,077
Institutional (1)	148	498	160	N/A	806
Correctional				4,005	4,005
<b>TOTALS</b>	<b>19,334</b>	<b>22,114</b>	<b>5,815</b>	<b>4,005</b>	<b>51,268</b>

(1) Governmental entities such as federal, state, county, cities, and special districts are property tax exempt and are billed separately. EDU counts for these institutions are not included in county property tax reports and are reported separately by each JPA member.

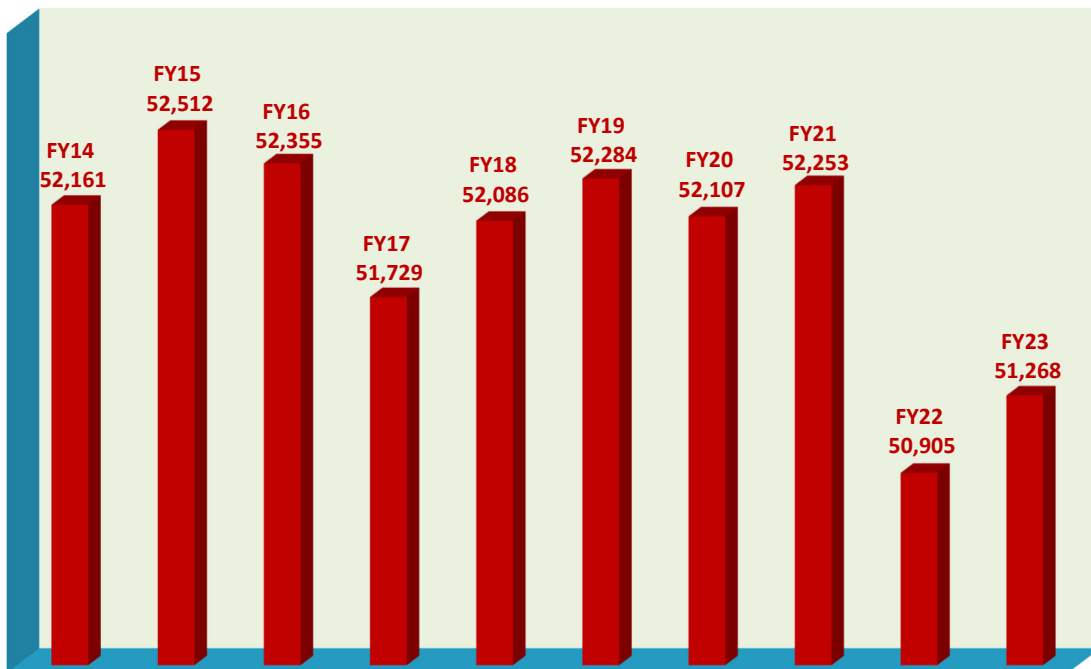
ECONOMIC CONDITION AND OUTLOOK (Continued)

**51,268 Total EDU by JPA Member and San Quentin as a Percentage of Total EDUs for FY23**



Sewer service connections in the service area are primarily residential, and the reported EDU is a number that remains relatively stable, as new development in the service area is minimal. Commercial customer EDU counts are determined by measured winter water use, with fluctuations from year to year being due to variable water usage by commercial properties. As seen below, there was a noticeable EDU count decrease in FY22 after two extremely dry winters.

**EDU Totals for CMSA Service Area Fiscal Year-End June 30th**



**AWARDS AND RECOGNITIONS**

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**Certificate of Achievement for Excellence in Financial Reporting:** CMSA was recognized by the GFOA with the Certificate of Achievement for the Agency’s FY22 Annual Comprehensive Financial Report and the Finance Department was presented the Award of Financial Reporting Achievement for being primarily responsible for achievement of the Certificate. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a governmental entity. This marks the twenty-first consecutive year that the Agency’s ACFR has met the high standards of the GFOA for governmental accounting and financial reporting. The Agency continually strives to comply with GFOA guidelines and recommendations, and all financial documents, including the Budget, Annual Financial Statements, Annual Reports, monthly Treasurer’s Reports, and Quarterly Budget Status Reports are transparent representations of the Agency’s financial operations. Each of the reports are presented to the Board for review and acceptance and posted on the Agency’s website ([www.cmsa.us/finance/documents](http://www.cmsa.us/finance/documents)) or as part of the Board Agenda Packets ([www.cmsa.us/board/agendas-and-minutes](http://www.cmsa.us/board/agendas-and-minutes)).



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

Central Marin Sanitation Agency  
California

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrell*  
Executive Director/CEO

**Outstanding Achievement in Popular Annual Financial Reporting:**

The Agency’s Popular Annual Financial Report (PAFR) for FY22 was recognized by the GFOA and received an outstanding achievement award. The PAFR award is a prestigious national award acknowledging conformance with the highest standards of preparation for state and local government popular financial reports. The PAFR is specifically designed to be readily accessible and easily understandable to the public and other interested parties who do not have a background in public finance. FY22 marks the thirteenth consecutive year that the Agency’s PAFR has met the high standards of the GFOA for governmental accounting and financial reporting.

**Distinguished Budget Presentation Award:** The Agency’s Adopted Biennial Budget for FY22 and FY23 received the distinguished budget presentation award by the GFOA. The award is the highest form of

recognition in governmental budgeting and its attainment represents a significant accomplishment by a governmental entity. The GFOA encourages public agencies to prepare budget documents that fully explain the agency’s business, are transparent, and are specifically designed to be readily accessible and easily understandable to the public and other interested parties. In attaining this award, the Agency’s budget was deemed to be proficient as a policy document, financial plan, operational guide, and communication device. The FY22 and FY23 Biennial Budget marked the tenth year that the Agency’s budget has met the high standards of the GFOA for annual and biennial budget reporting documents.

## MAJOR INITIATIVES (Continued)

**National Association of Clean Water Agencies (NACWA) “Platinum” Peak Performance**

**Award:** NACWA represents the interests of and advocates at the federal level for the country’s wastewater organizations. Members of NACWA provide wastewater treatment services to over 129 million people in the United States and are true environmental practitioners that collectively manage more than 18 billion gallons of wastewater each day. NACWA maintains a key role in the development of environmental legislation and works closely with federal regulatory agencies in the implementation of environmental regulations and programs. NACWA presents annual recognition to high performing wastewater utilities through its *Peak Performance Awards* program.

For the 2022 calendar year, CMSA received the NACWA “Platinum” Peak Performance Award. This award recognizes the achievement of full compliance with NPDES permit discharge requirements for five consecutive years. This was a significant achievement for the Agency and its staff!

**State of California Water Environment Association (CWEA) Awards:** The CWEA has 17 sections in California, and top award winners in each section compete for the state level award. For calendar year 2022, the Agency was recognized by CWEA and received a state level award for the following achievements:

- Electrical/Instrumentation Person of the Year – Michael Wilson (First Place)
- Laboratory Person of the Year – Antonette Monsada (Second Place)
- Engineering and Research Achievement – Power Delivery Program (Third Place)
- Pretreatment and Pollution Prevention Person of the Year – Kyle Carbajal (Third Place)

**Regional CWEA Awards:** For 2022, the Agency was recognized by the CWEA Redwood Empire Section and received an award for the following achievement:

- Engineering and Research Achievement – Power Delivery Program

**Regional CWEA Staff Awards:** Several CMSA staff members were also recognized by the CWEA Redwood Empire Section and received awards in their respective disciplines:

- Laboratory Person of the Year – Antonette Monsada
- Mechanical Technician of the Year – James Clark
- Pretreatment and Pollution Prevention Person of the Year – Kyle Carbajal
- Electrical/Instrumentation Person of the Year – Michael Wilson

## **STRATEGIC PLAN**

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The Agency’s 5-Year Strategic Plan (SP) for the fiscal years ending June 30, 2022 to 2026 was adopted by the Board in July 2021. FY23 marked the end of the second year of the current five-

## MAJOR INITIATIVES (Continued)

year plan. The SP is a guide to direct the Agency in charting a strategic path to effectively maintain and improve its operations and services. CMSA's SP has been constructed to set priorities, focus energy and resources, and guide fundamental decisions and actions that will shape the Agency for five years, in one-year increments.

The SP contains Vision, Mission, and Values statements, and six strategic Goals to achieve each statement. Annually, staff prepares a Business Plan with associated Strategic Objectives and Actions to undertake in support of the Board adopted Mission, Vision, Values, and Goals. The Agency's budget is closely aligned with the annual Business Plan, as funding for its Actions were included in budget development and the adopted FY22-FY23 budget.

**Plan Development:** The Agency maintains a standing committee, known as the Agency Strategic Planning Committee (ASPC), to oversee the implementation of annual Business Plan activities, and to develop a new plan each fiscal year. The FY23 Business Plan had 65 Strategic Actions, of which 45 were completed, 12 were ongoing (having no definable end date or are recurring), and 8 were delayed for various reasons.

The FY24 Business Plan was approved by the Board at the beginning of the fiscal year, July 2023. It includes 57 Actions to further the Objectives listed below, as well as others identified in the SP:

- Replace the Chlorine Contact tank gates.
- Finish Dewatering System Replacement Project predesign and select new centrifuges.
- Design replacement elevator controls and begin construction.
- Rehabilitate Primary Clarifier No. 1 and install flow optimization baffles.
- Replace the diesel underground storage tank with an above ground tank.
- Expand available credit card transaction types.
- Perform an EV Charging Study and investigate grant funding options.
- Track and apply for Inflation Reduction Act funding for the Cogeneration System Improvements Project.
- Initiate an excess biogas utilization study.
- Complete Xylem machine learning Treatment System Optimization project.
- Perform a nutrient loading study.
- Install hydrogen sulfide monitoring instruments to optimize the odor control system.
- Support CalRecycle's co-digestion efforts by installing a high-efficiency grit washing system.
- Track developments on the regional nutrient watershed permit and its potential impacts to CMSA.
- Hire retired annuitants to train and develop new employees.
- Create a formal cyber incident response plan.
- Develop Programmable logic Controller support training plan for Electrical/Instrumentation staff.

## MAJOR INITIATIVES (Continued)

The current SP and its annual business plans may be found at [www.cmsa.us/documents/administrative](http://www.cmsa.us/documents/administrative).

### **SUCCESSION PLANNING**

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CMSA conducts succession planning each year to ensure the Agency can fulfill its mission and core values with the appropriate staff resources. To this end, the Board has authorized various activities in support of succession planning, including the creation of special positions for limited duration, the creation of temporary positions for mentoring and coaching by retiring employees, and the overstaffing of certain classifications for training and transitioning prior to an employee's retirement.

The annual update occurs by analyzing the age and length of service of each member of the workforce, and informally discussing with employees who meet the California Public Employees Retirement System (CalPERS) criteria, at least age 50 and greater than five years of total CalPERS service, about their retirement plans. The results of this annual update are also incorporated into the Agency's long-term financial forecast model and business plan. CMSA's workforce characteristics as of the end of FY23 are as follows:

- 47 authorized positions
- Average age is 43.1 years
- Average length of service is 7.6 years
- 13 employees with over 10 years of service
- 21.7% of current employees meet the requirements for retirement from CalPERS

The Agency completed successful recruitments for seven new employees during FY23. These staff members were hired to fill vacancies in various classifications, including one Operator-in-Training, one Operator, three Mechanical Technicians, and two Industrial Utility Laborers.

### **THE JOINT POWERS AGREEMENT – A CHANGING DOCUMENT**

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CMSA was formed by a Joint Powers Agreement in 1979 with an original expiration date of 2020. Since its inception, the JPA has been amended eight times. Five of the amendments were made prior to 1990, to either clarify or update provisions after CMSA began receiving the construction cost reimbursements from the Environmental Protection Agency and State Water Board. An amendment in 2006 extended the JPA term to 2031 to align with the term of a 2006 revenue bond issuance.

Significant revisions were identified in 2017, after the managers of CMSA and each JPA member agency completed a thorough review process where they determined that many of its provisions were outdated or not applicable, and others had been superseded by CMSA Board-adopted financial and personnel policies. Over the course of six months, the JPA's 26 sections

## MAJOR INITIATIVES (Continued)

were revised with each completed section being presented and accepted by each respective agency board member. Lastly, after all the revised sections were accepted, supporting attachments prepared, and a legal review of the final draft document completed, the revised 2018 JPA was adopted by the JPA member agencies. It accurately reflected the current state of CMSA's business and service delivery.

In late 2018, the Larkspur City Council approved withdrawing from the JPA. The JPA managers subsequently prepared a withdrawal agreement and revised the JPA to reflect Larkspur's withdrawal and the reduced number of CMSA Commissioners. Both agreements were approved by the JPA member agencies in January 2020.

The CMSA and JPA managers meet at least monthly to maintain their exceptional working relationships, share information on their respective businesses, projects, and initiatives, and to plan and implement cooperative activities. Additionally, CMSA General Manager regularly seeks JPA managers' thoughts and feedback on CMSA revenue programs and debt issuances.

## MAJOR CAPITAL PROJECTS

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Below is a summary of the major capital projects that were completed or underway during FY23.

***Secondary Clarifier No. 2 Rehabilitation Project:*** As part of periodic maintenance and rehabilitation work to extend the life of the four secondary clarifiers, our Capital Improvement Plan had scheduled sequential projects to repair the corrosion on the metal and concrete components inside each clarifier. Rehabilitation of Secondary Clarifier No. 3 was completed in FY21, rehabilitation of Secondary Clarifiers No. 1 and 4 was completed in FY23, and rehabilitation of Secondary Clarifier No. 2 was initiated in FY23. Construction work included recoating the metal structural components, repairing corroded steel, repairing/replacing the center column and internal return-activated-sludge pipes, replacing corroded pipe flanges, resurfacing the effluent trough concrete, and replacing the aging walkway plates with new fiberglass-reinforced plastic grating. The project was completed in early October 2023. All the Agency's secondary clarifiers are now in a condition to provide at least another decade of reliable service.



*Removal of Walkway Bridge in Secondary Clarifier No. 2*



## MAJOR INITIATIVES (Continued)

**Liquid Organic Waste Project Construction:** The Agency's organic waste receiving facility currently includes a below-grade storage tank that accepts various organic waste material, such as food waste and fats, oils, and grease (FOG). These materials are mixed then pumped to the digesters to generate biogas for use as fuel in a cogeneration engine, to produce renewable power. Since most organic material is delivered on weekday mornings, the tank fills up quickly, resulting in FOG haulers that arrive later in the day having to be turned away. As a result, there can be a shortage of organic material during nighttime and weekend hours, or when the storage tank is taken offline for maintenance, which then may require CMSA to purchase expensive natural gas to fuel the cogeneration engine.

To maximize tipping fee revenues, biogas production and renewable power generation, construction of an additional above-ground liquid organic waste storage facility was initiated in FY23. A separate component in this project is to install two new biogas chillers, required for cleaning biogas, to replace a single aging chilling unit. In November 2022, the Agency selected and hired GSE Construction to build the project. The Agency was also awarded \$2.5 million from CalRecycle's Co-Digestion Grant Program in September 2022 to fund all the project construction costs. Over \$926,000 in grant reimbursements were received in FY23. Construction is anticipated to be completed in February 2024 and the remainder of the grant reimbursements will be received by the end of FY24.



*Liquid organic waste concrete pour for new above-grade storage tank.*

## MAJOR INITIATIVES (Continued)

**Installation of a New Cogeneration System:** Since FY19, staff have been working on the planning and design for the installation of a new cogeneration system. To expedite delivery of the cogeneration system and reduce the construction duration, the Agency decided to



*New cogeneration engine*

prepurchase the major equipment in FY21, whereby CMSA selected and purchased the cogeneration equipment along with completing the final design work. The new cogeneration system was delivered in August 2020, the final design was completed in parallel, a general contractor was selected, and construction began in December 2020.

Significant construction progress was made throughout the remainder of FY21 and FY22, including installation of the new engine and associated electrical and mechanical equipment, and installation of new air supply fans and engine exhaust treatment systems on the roof of the Solids Handling Building. The commissioning/start-up process for the various systems began in the summer of 2022 and was substantially completed in early 2023. However, a few remaining commissioning items related to exhaust temperatures and system controls are taking longer than expected to troubleshoot, and are expected to be completed by the end of 2023. During this commissioning period the engine has been under successful routine operation, powering and heating CMSA facilities and frequently exporting excess renewable power into the local electricity grid.

**Digester Membrane Cover Replacement:** CMSA has two anaerobic digesters with membrane covers that were installed approximately 10 years ago. In the summer of 2021, the membrane cover on Digester No. 1 unexpectedly failed. Since the cover was still under partial warranty from its initial installation, CMSA negotiated with the cover vendor to replace it with a new one in FY22. This work required CMSA bringing in a specialized digester cleaning company to remove the existing digester content, and a specialized contractor crew to complete the complex undertaking of installing the new cover. While the digester was out of service, CMSA

## MAJOR INITIATIVES (Continued)

staff also completed important maintenance tasks on the pumps and valves associated with the digester that could only be accessed when the digesters were out of service.

As the cover on Digester No. 2 was the same age as the cover that failed, CMSA also negotiated a contract with the cover vendor to replace it with a new cover and provide an extended warranty. The new cover for Digester No. 2 was installed in October 2022 and Digester No. 2 was successfully returned to service in November 2022.



*New covers for Digester No. 1 and 2*

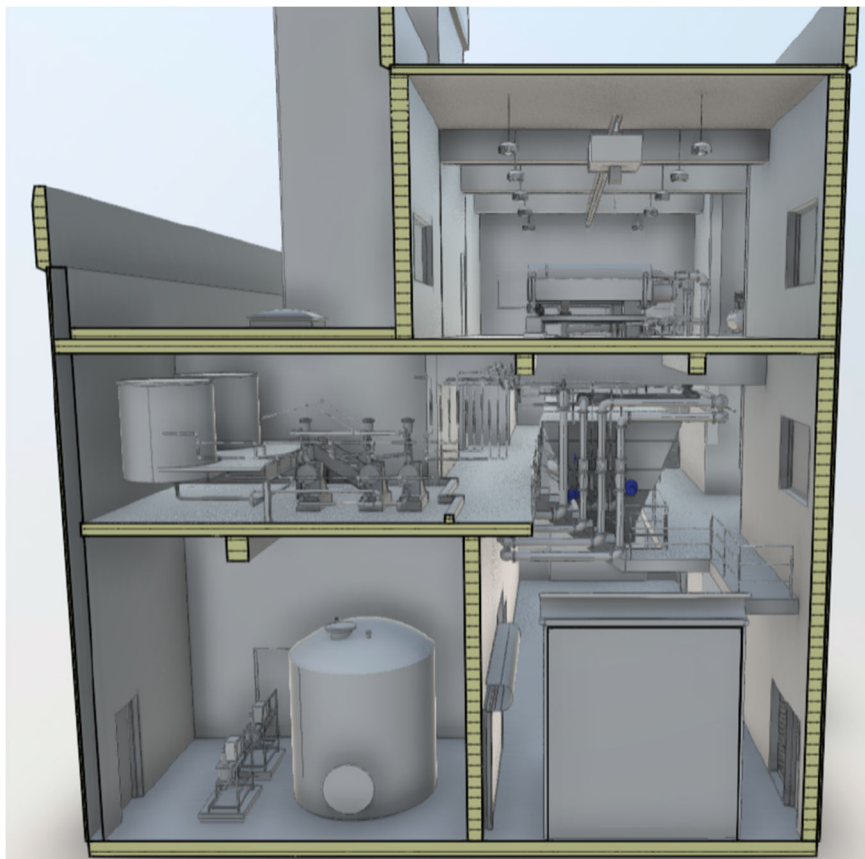


*Inside Digester No. 2, cleaning of wall deposits*

## MAJOR INITIATIVES (Continued)

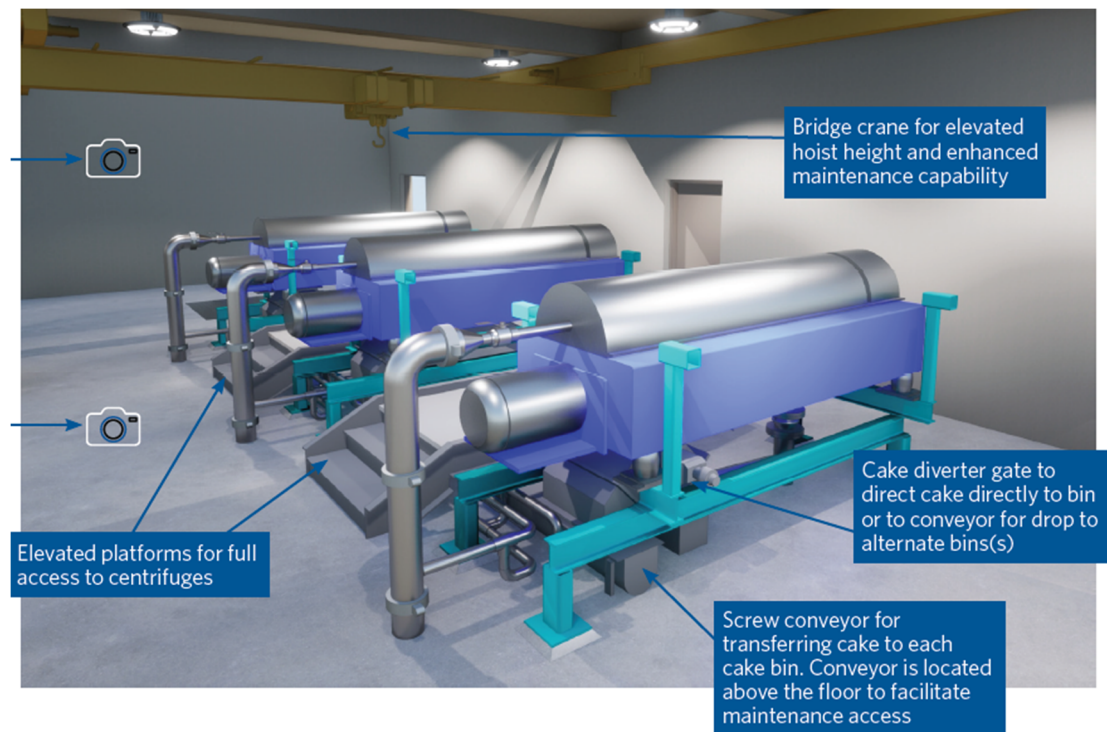
**Design of Replacement Centrifuges:** Biosolids are dewatered before they are transported for beneficial reuse, and this dewatering process is performed by high-speed centrifuges that were installed in 2002. After the construction of the organic waste receiving facility and the start of the co-digestion program in 2014, the centrifuges no longer operated at their original design capacity and are now nearing the end of their useful life. This project includes the evaluation and design of replacement centrifuges, including a pre-design phase to verify design criteria, performing pilot testing and polymer optimization, pre-purchasing the replacement centrifuges, using laser scanning technology to assess existing conditions and evaluate layout options and constraints, developing detailed plans and specifications for construction, and managing the bid phase.

After review of the four engineering proposals received, staff selected Black & Veatch (BV) in 2023 due to the extensive experience of their team, their high-quality proposal, and many innovative and cost-saving recommendations for the project. BV has developed a 3D model of the existing building conditions and is currently reviewing centrifuge options based on the projected operating conditions. The evaluation, piloting, and design work is expected to be completed around January 2025, with construction planned to start in mid-2025.



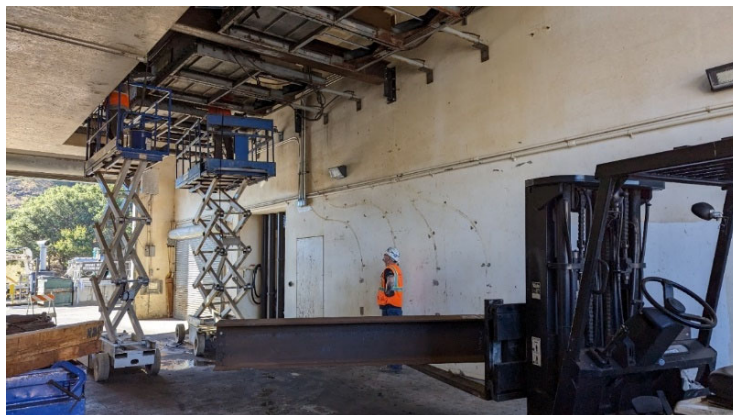
*Model of the centrifuge room and Sludge Handling Building*

## MAJOR INITIATIVES (Continued)



*Conceptual layout of new centrifuges*

***Biosolids Hopper Repairs:*** The three biosolids hoppers in the Sludge Handling Building store dewatered sludge until a biosolids truck hauls them offsite. The hoppers were originally installed during construction of the treatment plant and began use in 1985. A consultant was retained in November 2021 to assess the conditions of the hoppers and associated support members and found that the supporting I-beams and angle irons have significantly corroded. To determine the repairs needed, a structural engineer was retained in April 2022 to develop the design to retrofit and replace the deteriorated structural elements in-place. This project included removing and replacing the corroded steel members on the biosolids hoppers, including cutting, welding, coating, and replacing hardware of the structural steel, and providing temporary shoring and bracing to allow the hoppers to remain in service during construction. All repair work was completed by October in 2023.



*Replacement of biosolids hopper structural beam*

MAJOR INITIATIVES (Continued)



*Corroded beam and side of biosolids hopper*

**Critical Electrical System Inspections:** CMSA’s main electrical switchgear and the headworks motor control center (MCC) are critical components of the facility’s electrical system and are over 40-years old. Routine inspections of the equipment are essential for ensuring the safety and reliability of the aging electrical system. The main switchgear was last inspected in FY21. CMSA contacted Eaton Corporation, the original MCC and switchgear equipment manufacturer, to perform inspection and condition assessment services and the work was completed in June 2023. Eaton inspectors conducted visual checks to identify any signs of wear, damage, or loose connections. A comprehensive electrical testing procedure was also performed, including insulation resistance tests, contact resistance tests, and verification of proper tripping and closing operations of the circuit breakers. Routine equipment cleaning and lubrication was also performed as part of the inspection. Staff is currently reviewing the results of the inspections and is completing minor identified repairs in-house. In the fall of 2023, staff will develop a set of options and recommendations for the long-term management of this important electrical infrastructure.



*Electrical inspection activities*

## **PARTICIPATION IN COVID AND ILLEGAL DRUG WASTEWATER SURVEILLANCE**

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The COVID Pandemic began in March 2020. When COVID test kits were developed and available, it usually took several days for test appointments and then several more days before the test results were ready. In the spring of that year, several laboratories around the country began analyzing wastewater samples for COVID. The practice was called wastewater surveillance, and it provided real time infection information within a community.

Since June 2020, CMSA has participated in the Marin County wastewater surveillance program by providing wastewater samples from San Quentin State Prison, San Rafael, Corte Madera, and the Ross Valley. Samples were and continue to be sent to two laboratories for analysis, with the results provided to the Marin County Office of Public Health for monitoring purposes, to determine where to locate vaccine distribution centers, and for public education and outreach.

In 2022, in addition to COVID, the laboratories began analyzing the wastewater samples for fentanyl and other illegal drugs to understand where those are being used in the community. CMSA is reimbursed by the laboratories for the sample collection and delivery expenses.

## **CENTRAL MARIN ORGANIC WASTE PROGRAM**

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CMSA's organic waste program is comprised of the innovative and successful Central Marin Food-to-Energy (F2E) program and a separate program where CMSA receives and processes fats, oils, and grease (FOG) from private haulers, as well as occasional food waste deliveries from other solid waste partners.

F2E was launched in January 2014, with Marin Sanitary Service (MSS) collecting pre-consumer food waste from restaurants, markets, and other similar businesses in their service area. Collected food waste is processed at MSS's local transfer station, which is approximately one-half mile from CMSA. Processing involves the removal of contaminants such as utensils, plastic material, bones, melon rinds, metal objects, and similar items, followed by grinding the food waste into small particles. A special delivery truck then transports the cleaned processed food waste to CMSA, where it is dumped into an underground tank, mixed with FOG and other liquid organic wastes, and then injected into the treatment plant's anaerobic digesters.

Once in the digesters, the organic waste mixture is co-digested with wastewater solids to produce additional biogas, a form of methane gas that is used as fuel in the Agency's power generation system. CMSA historically operated the system on biogas fuel approximately seven hours a day, producing all the Agency's energy needs during that time period. The additional biogas generated from the organic waste program materials enables the Agency to run the generator much longer; a near future goal is to achieve full energy self-sufficiency and continuously deliver renewable power off-site. Attaining self-sufficiency would eliminate the need for the Agency to purchase natural gas, an alternate fuel source, and electricity from outside sources.

## MAJOR INITIATIVES (Continued)

This collaborative and successful public-private partnership with MSS has created a program that achieves benefits both for the environment and CMSA, including diversion of food waste from the local landfill, reduction of regional greenhouse gas emissions, reduced truck traffic on the freeway and local roads, and additional energy production at CMSA. MSS has currently enrolled over 207 businesses that generate food waste. CMSA receives a tipping fee for each ton of food waste and gallon of liquid organic waste delivered, both of which assist in stabilizing wastewater service fees.

Below is a summary of several noteworthy organic waste program activities and developments in FY23. It is important to note that due to the anaerobic digester membrane cover replacements, CMSA could only accept reduced quantities of organic waste during most of the year, therefore, the quantities of organic waste accepted and biogas produced are significantly lower than prior years when both anaerobic digesters were in continuous operation.

- An average of approximately 6.25 tons of food waste per day, and approximately 13,449 gallons of FOG per day (except Sundays), and a total of 27,000 gallons in FY23 of pre-processed food waste slurry from the South Bay Waste Management Authority pilot program.
- The mixture of food waste, FOG, and other organic materials produced enough additional biogas to run the energy generation system up to an average 17.2 hours per day, and 24 hours per day multiple days during the week.
- A consultant prepared a detailed co-digestion computer model that will allow CMSA to estimate the amount of additional organic waste that can be imported given the capacity constraints of CMSA's organic waste receiving facility, anaerobic digesters, and power generation systems.
- CMSA executed longer-term delivery agreements with South Bay Waste Management Authority and Republic Services in FY23.
- MSS installed new pre-processing equipment at their facility in FY23 and is working towards increasing the quantity of organic waste delivered to CMSA in the future.
- CMSA successfully applied and was awarded a \$2.5 million co-digestion grant from CalRecycle for the new Liquid Organic Waste Storage Tank Project.

## **POWER DELIVERY PROGRAM**

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CMSA's power delivery program has been underway for several years and aims to utilize the Agency's excess digester capacity to accept additional organic waste materials, such as grease and food waste, to significantly increase biogas generation in the anaerobic digesters. In the spring of 2019, CMSA received official permission from the local utility, PG&E, to export excess power to its electrical grid, and from FY21 through FY23 significant amounts of renewable power were exported and sold to Marin Clean Energy (MCE) through an existing Power Purchase Agreement.

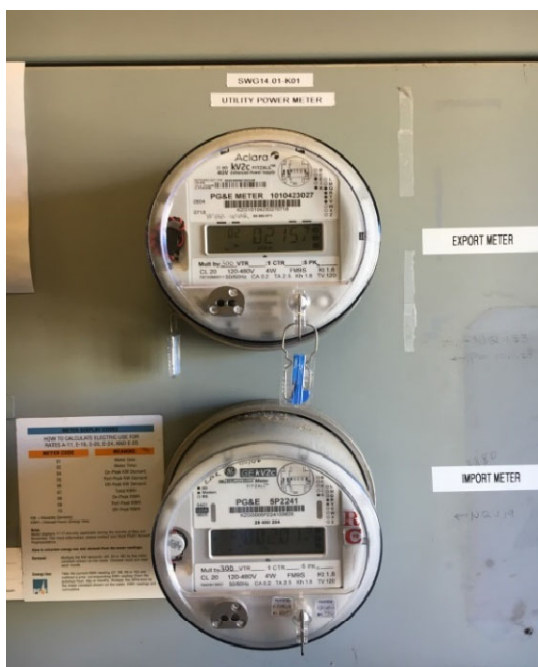


MAJOR INITIATIVES (Continued)

CMSA worked extensively with PG&E since 2020 to apply for a new Interconnection Agreement to connect the new cogeneration engine to the electrical grid. This included PG&E preparing initial and supplemental review reports in 2020 for its electrical transmission and distribution systems, to determine if and what specific system upgrades were necessary for CMSA to provide power safely and reliably to the electrical grid. The new Interconnection Agreement was successfully executed in October 2020, and in FY21 through FY23, CMSA worked with PG&E on the detailed design, construction, and testing of the specific Interconnection Agreement related electrical improvements. During the summer of 2022 all interconnection activities were successfully completed, PG&E issued the Permission to Operate, and the official authorization to export renewable power from the new higher capacity cogeneration engine was received in early September of 2022.



*Main switchgear*



*Power export meter to track energy being sold to MCE.*

## **WASTEWATER SERVICE AGREEMENTS FOR CMSA-PROVIDED SERVICES**

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CMSA provides contractual services to several public agencies in Marin County for a variety of wastewater related services. These arrangements benefit both the public agencies and CMSA. For the public agency, it is more cost-effective to utilize CMSA staff expertise and resources as opposed to hiring contractors or consultants. For CMSA, the revenues incrementally reduce the amount of wastewater service fees charged to our customers, and the off-site service work in different jurisdictions keep CMSA staff engaged and their jobs more interesting. Services that CMSA provides include operating, maintaining, and monitoring wastewater pump stations and force mains, operating and maintaining sewer collection systems, and regulating commercial and industrial businesses that discharge to the sewer system, protecting both the businesses and the environment.

The Agency's Strategic Plan and annual Business Plans supports provision of these services when CMSA has the available resources, and the service will result in financial and organizational benefits to both organizations. Noteworthy activities and projects this past fiscal year are noted below.

**Sanitary District No. 2 of Marin:** CMSA has had a service agreement with SD2 since April 1985, under which CMSA operates and maintains SD2's 19 pump stations and provides limited maintenance to the district's force mains. Below is a summary of in-progress or completed asset management projects.

As described in last year's ACFR, SD2 utilized the engineering firm V&A Consulting to perform an assessment of the condition of the District's assets. That assessment was completed in FY23, and SD2 immediately began work on one of the assessment's primary recommendations. A civil engineering firm was hired to design the rehabilitation of SD2's Paradise pump station. CMSA assisted SD2 by giving access to the station for several focused inspections, and providing original station design drawings, a list of station assets and their historical operations, and maintenance records. CMSA recently reviewed and gave comments on the rehabilitation drawings and specifications. This project is expected to be completed by September 2025.

CMSA assisted an SD2 contractor with their installation and connection of a new gravity sewer pipeline between the Lakeside and Tamalpais pump stations, known as Meadowsweet Phase 3. CMSA's role was to isolate and manage both pump station's flows while the contractor performed the connection work. This project was scheduled in the middle of the night, during low wastewater flows to allow maximum installation time, and to reduce traffic congestion in the immediate work area.

Additional approved asset management projects that were completed by CMSA included installing a new pump at Sausalito pump station, installing a new motor starter and HMI screen at Boardwalk A pump station, replacing a failed block heater and installing a new engine thermostat at Trinidad II pump station, and replacing isolation and check valves at Old Landing, Trinidad I, and Lakeside pump stations.

MAJOR INITIATIVES (Continued)

**San Quentin State Prison:** CMSA has had a wastewater service agreement with the California Department of Corrections (CDCR) since 2012. Services include operating and maintaining the prison’s main pump station and force main that transports wastewater to CMSA’s treatment plant, and treating and disposing of the prison property’s wastewater and biosolids. Historically, SQSP used low security inmates to clean the pump station’s wet well area but over the past several years, CDCR has transferred most low security inmates from state prisons to county jails or approved early releases, reducing the availability of this labor pool. In our current 5-year service agreement, CDCR provides funds to CMSA for three limited term employees, Institutional Utility Laborers, to provide wet well cleaning services. When not working at CDCR, these employees perform custodial and groundskeeping work at CMSA.

**San Quentin Village Sewer Maintenance District:** In 2012, CMSA and the County of Marin entered into a service agreement for the operation and maintenance of the County’s small sanitary sewer collection system and pump station. The County of Marin has been working with RVSD and the Local Agency Formation Commission to annex this small collection system into the RVSD service area. Once the annexation process is completed, CMSA will provide RVSD staff with the operation, maintenance, and project records.

In addition to effectively managing the small sewer system, CMSA managed an emergency repair project to replace a sewer line that was damaged during the repair of a nearby water supply pipeline.

**ASSET MANAGEMENT PROGRAM AND RELATED PROJECTS**

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Major asset maintenance and replacement projects that were completed or in progress during FY23 are summarized below.

**Anaerobic Digester No.2 Rehabilitation:** During the cover replacement project for Digester #2, staff inspected the condition of the digester’s interior concrete and piping, replaced 14 six-inch valves on pipelines only accessible when the digester was out-of-service, refurbished the digester’s mixing pump, modified one inspection port hatch, and installed an isolation valve for emergency draining/centrifuging purposes. Once this task work was completed, staff tested all the associated digester piping to ensure that there were no plugged lines, valves were not leaking, and pumps and instruments were operating as required. Once assured that the digester’s appurtenances were working correctly, staff reinstalled the inspection port and filled the digester with 26 feet of reclaimed water.



*Digester No. 2 Process Piping Valve Replacements*



Digester No. 2 Mixing Pump Refurbishment



Emergency Drain Valve on Digester No. 2



Digester No. 2, Final Stages of Initial Cleaning

MAJOR INITIATIVES (Continued)



**Additional Influent Sampler:** CMSA utilizes automated 24-hour samplers to collect and test for various constituents in the wastewater as it enters, flows through, and leaves the facility. This pictured sampler was installed in the Headworks to support wastewater sampling from both influent pipelines, and the vactor and portable waste receiving stations. Prior to the sampler installation, laboratory staff obtained samples from several different locations that were all problematic. Operations identified an ideal collection location and maintenance staff installed the sample line. The installation required modifications to piping, the addition of a sample stilling well, and new drain piping. The new location of this automated unit resolved all prior sampling problems.

**Safety Bollard Installation:** After the digester membrane covers replacement, staff installed 8" emergency drains with isolation valves. This was to ensure the contents of the digesters could be emptied if dewatering piping inside either digester was plugged or damaged. Immediately after installing these drains, which protruded about 12" beyond the digester walls, safety bollards were installed to prevent the drains from being damaged by passing equipment. Technicians installed steel sleeves into the ground, poured concrete to hold them in place, patched the asphalt around the sleeves, and then installed removable steel bollards.



**Jenbacher Cogeneration Service:** The first 3,333-hour scheduled preventative maintenance was performed by the engine supplier, during which time CMSA technicians were trained on how to perform this work in the future. Work included changing the oil, air, and natural gas filters, re-gapping spark plugs, adjusting the engine's intake valves, and verifying exhaust emissions to comply with CMSA's air quality permit. CMSA's technicians were also certified to test and adjust emissions parameters to continuously meet strict California air emissions standards in the SF Bay Area.

MAJOR INITIATIVES (Continued)



**Dewatering - Polymer Feed Pump Rehabilitation:**

CMSA, on average, produces 6,158 wet tons of biosolids annually. The systems that support the production of biosolids perform heavy work and are periodically inspected to verify operational and mechanical integrity. This past year, the polymer feed system’s three metering pumps were individually removed for complete rebuilds. This was scheduled improvement work which consisted of disassembling the pump heads, inspecting them for wear and corrosion, and installing new head kits. Additionally, the pump housings were opened to examine drive mechanisms and replace lubricants, and new generation replacement variable frequency drives were installed.

**Organic Waste Slurry Mixing Pumps:**

The Organic Waste Receiving Facility (OWRF) utilizes two chopper style pumps to reliably cut up and mix the receiving tank’s content into a slurry that can be easily pumped into the anaerobic digesters. This past year, while this facility’s



underground tank was being cleaned, technicians noted substantial wear inside both pumps and determined that both needed to be replaced. There are significant benefits to receiving organic wastes, but the processing of these materials is hard on mechanical equipment. To address this, staff worked with the pump’s manufacturer to fashion a hybrid replacement assembly to avoid replacing the entire mixing pump. The replacement assembly, highlighted in the picture, replaces only the high wear components which can be easily removed during scheduled maintenance procedures or while the facility is in use. This cost-effective, collaborative approach streamlined the equipment change-out process allowing for daily facility operation to continue unimpeded.

MAJOR INITIATIVES (Continued)



**Total Suspended Solids (TSS) Meter Installation:** To ensure that the proper amount of treatment biology remains present in the aeration basins to ensure process stability, staff installed TSS meters in the four basins. These meters and their controller, which is pictured, measures the amounts of solids in each basin. Our process control system compares this against solids data compiled before and after this process, and then calculates the amount of biomass needed to effectively remove the solids during the treatment process. In the past, staff would take physical samples from each on-line basin, analyze the sample results, calculate the desired biomass, and then adjust processes as needed. This process, done mostly by hand, took several hours to complete and process decision-making was often delayed by as much as 24-hours. The ability to monitor the

basin solids in real time has significantly improved process stability and performance, while saving staff time.

**Site Sump Panel Upgrade:** The site sump, at the front of the treatment plant, receives wastewater from both the Administration and Maintenance buildings, and is utilized by vacuum trucks, portable waste haulers, and recreational vehicles. In the sump are two pumps that send the wastewater into the treatment plant. This is a critical process area that must always remain in service. However, the existing control panel that housed the pump’s controls was not able to support additional equipment.



Original Panel



New Panels

Staff recently completed the installation of two new control panels, one for each pump within the sump. The new panels are capable of housing additional control equipment if needed and were programmed in-house.

## **DISCHARGE PERMITS**

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The San Francisco Bay Regional Water Quality Control Board (RWB) approved reissuing the Agency's National Pollutant Discharge Elimination System (NPDES) permit at its May 10, 2023, meeting. The permit became effective on July 1, 2023, and has a five-year term. This NPDES permit contains all the regulatory requirements, limitations, and authorization for CMSA to discharge treated water into the San Francisco Bay. CMSA was able to successfully negotiate this new permit with treated wastewater effluent limits remaining relatively unchanged, while permit monitoring requirements were reduced. CMSA has been in full compliance with the new NPDES permit since it was issued.

Additionally, on May 8, 2019, the RWB adopted its second Nutrient Watershed Permit entitled, "The Waste Discharge Requirements for Nutrients from Municipal Wastewater Discharges to San Francisco Bay", effective July 1, 2019. This permit requires monitoring nutrient discharge to the bay from wastewater facilities and additional regional monitoring at numerous locations in the bay. Successful negotiation by the Bay Area Clean Wastewater Agencies (BACWA) resulted in the reduction of nutrient monitoring from twice per month to once per month and the removal of influent nutrient monitoring requirements. CMSA has been in full compliance with this permit since it was issued. The RWB is now developing the third Nutrient Watershed Permit, which will become effective on July 1, 2024. Due to toxic algae blooms in the SF Bay the last two summers, the new permit will have nutrient load limits for the Bay and likely nutrient reduction permit limits for some wastewater agencies. We will learn more about how this permit may impact CMSA later in early 2024.

On December 15, 2021, the RWB adopted the Amendment of Monitoring and Reporting Requirements for Municipal Wastewater Dischargers Permit. This permit allows CMSA to choose to reduce monitoring frequencies for certain parameters on the condition that they apply the cost savings to fund studies by the San Francisco Bay Regional Monitoring Program for Toxic Pollutants and Trace Substances. The parameters reduced included polychlorinated biphenyls, dioxins and furans, volatile organic compounds, base neutral and acid extractable organic compounds, and chlorinated pesticides. The RWB concluded that it would be a better use of resources to direct the cost savings associated with these monitoring reductions toward additional RMP studies for constituents of emerging concern, such as PFAS.

## **ENVIRONMENTAL COMPLIANCE PROGRAMS**

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The Agency's NPDES permit includes source control program requirements, a Federal Pretreatment Compliance Program, and a Regional Water Board Pollution Prevention Program. The purpose of each program is for the Agency to regulate businesses and industries that discharge water into the wastewater collection system so that they will not detrimentally affect CMSA treatment processes, biosolids quality, or the treated water that is discharged into San Francisco Bay or beneficially reused as recycled water. There are three dischargers in the CMSA service area that are regulated under the Pretreatment Program. CMSA staff monitors these



MAJOR INITIATIVES (Continued)

dischargers and conducts an annual comprehensive inspection of each to ensure their wastewater meets CMSA’s local discharge limits.

**Mercury Reduction Program:** The Mercury Watershed Permit, that became effective on January 1, 2018, requires a reduction of mercury discharges from all controllable sources to the San Francisco Bay. The permit’s goal is to eventually, over decades, lower the mercury concentration in the San Francisco Bay sediment and water by 20%. It specifically states that wastewater agencies must regulate dental offices using source control techniques, because dental amalgam (~ 50% mercury) used to fill cavities in teeth is the largest controllable source of mercury discharged to the sanitary sewer in unindustrialized areas. CMSA’s Mercury Reduction Ordinance requires dental offices to install and maintain dental amalgam separators, and to properly handle and dispose of dental amalgam. Since then, all dentists within the CMSA service area have installed amalgam separators. During annual compliance inspections, Agency staff determines the amount of amalgam removed from the dental offices waste stream and reports that information to the RWB. In calendar year 2022, approximately 14.5 pounds of mercury were removed and properly disposed of.



**Novato Sanitary District and Las Gallinas Valley Sanitary District Mercury Reduction Programs:** Both districts have contracted with CMSA to administer dental amalgam programs in their respective service areas. The programs are like the program implemented at CMSA which has been recognized for its outreach, annual compliance inspections, and comprehensive record keeping. Compliance inspections in 2022 indicated that all dental offices complied with program requirements and the programs were responsible for the removal of 13.5 pounds of mercury.

**FOG Source Control Programs:** CMSA has served in a consultative and contractual capacity to assist local wastewater agencies in the development, implementation, and ongoing administration of FOG source control programs within their service areas. The goal of the FOG program is to reduce sewer blockages and prevent sanitary sewer overflows caused when grease is discharged directly into sanitary sewers. When FOG is improperly disposed it can build up, and if unchecked over time, can harden, combine with sand, roots, and/or debris, and clog sewer pipelines.

## MAJOR INITIATIVES (Continued)

Agencies that retain CMSA to manage and administer their FOG source control programs utilize our staff to perform required permitting, inspection, and enforcement activities for food service establishments, such as restaurants and markets. CMSA has developed and implemented FOG source control programs for the Las Gallinas Valley Sanitary District, San Rafael Sanitation District, Ross Valley Sanitary District, Sanitary District No. 2, Tamalpais Community Services District, and Almonte Sanitary District. All these programs include routine inspections, documentation of grease removal device cleaning, and requirements to install grease removal devices for new restaurants, those undergoing a remodel, or a change of ownership involving upgrades to the kitchen plumbing or fixtures. During FY23, CMSA conducted 434 inspections and documented 1,192 FOG pumping activities.



## **INSPECTIONS BY FEDERAL AND STATE REGULATORS**

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***NPDES Permit Inspection:*** The Regional Water Board conducted inspections of the Agency's treatment facilities, environmental laboratory, and its NPDES reporting files on January 10 and January 26, 2023. The final inspection results were issued and indicated that the CMSA facilities were well maintained and that NPDES reporting files were in order. Two findings were noted within the inspection report and corrective actions were implemented to address these findings.

***NPDES Pretreatment Compliance Inspection:*** The Regional Water Board periodically conducts a Pretreatment Compliance Audit to verify the Agency's compliance with requirements specified in the Federal Pretreatment Regulations and in CMSA's NPDES permit. The last audit was in FY17, during which time the inspectors visited two industrial facilities that CMSA regulates and reviewed their respective records and procedures. The final inspection results recommended several revisions to the Agency's Sewer Use Ordinance, which was subsequently revised and adopted by the CMSA Board in December 2018. On December 15, 2022, the Regional Water Board staff reviewed CMSA's 2021 Annual Pretreatment Report and reported one finding with a recommended solution. CMSA has implemented the corrective action for this finding and reported on the implementation in the 2022 Annual Pretreatment Report.

**PUBLIC EDUCATION**

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CMSA is the lead agency in administering a county-wide public education program for the six Marin County wastewater agencies that have treatment plants. The program continues to be innovative in developing public outreach measures to educate the public about ways to reduce pollutant disposal into the sanitary sewer and stormwater systems. Public outreach activities for the past year are summarized below.

***Public Outreach Events:*** The program continued to partner with the Ross Valley Sanitary District to run television ads on specific wastewater pollution prevention topics (wipes clog pipes, proper FOG disposal, and don't flush drugs). In 2022, during the first ad campaign, the ads were delivered 72,502 times within premium cable television content, and the target audience watched 65,418 (90%) of the ads in their entirety. During the second ad campaign the ads were delivered 132,783 times within premium content, and the target audience watched 107,485 (81%) of the ads in their entirety.

***Outreach Events:*** The public education program has outreach booths at several public events each year. During these events staff engage the public and answer questions regarding pollution prevention, wastewater treatment, recycled water, and other environmental issues. Staff also talk to local teachers and inform them of possible outreach activities including in class presentations and facility tours offered by the program member agencies. In 2022, the following outreach activity events were hosted by staff, in which 3,111 participants were engaged on key pollution prevention messages.

- Eggstravaganza Event
- Rotary Day of Service
- Earth 2050
- Marin County Fair
- Farmer's Market
- Marin Sanitary Service Customer Appreciation Day

***School Presentations and Performances:*** The CMSA Public Education Program staff works with professional entertainers to produce the scripts for entertaining and educational school outreach shows. The shows address water and pollution issues in a simple, humorous manner suitable for kindergarten to sixth grade. The entertainers are then contracted to present the shows at schools in Marin County. In 2022, the virtual show was presented to nine Marin County schools reaching a total of 2,085 students. In-person shows were presented to 12 Marin County schools reaching a total of 3,534 students.



## MAJOR INITIATIVES (Continued)

**WORKPLACE SAFETY INITIATIVES**

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***Health & Safety Program:*** CMSA and the Novato Sanitary District (NSD) partner in a collaborative Health & Safety Program. Under the general direction of the CMSA General Manager, the Health and Safety Department is managed by the Senior Safety Specialist, who is responsible for developing, coordinating, and overseeing implementation of a comprehensive occupational safety, health, and injury management program at CMSA and the NSD. The Senior Safety Specialist is directly supervised by the NSD Administrative-Risk Services and Safety Officer.

The program's focus is to promote and assist each agency in developing and maintaining workplace safety programs, while managing employee injury/return-to-work initiatives. The program includes providing employee safety training, developing, and maintaining safety policies and procedures, performing safety assessments of facilities and employee work practices, monitoring changes in Cal/OSHA safety regulations, and providing a variety of other safety services.

Since March 2020, the Senior Safety Specialist has ensured the Agency complied with the COVID-19 safety protocols established and updated by the California Department of Public Health, Cal-OSHA, and the Marin County Department of Public Health.

CMSA's safety program has received favorable reviews by the California Sanitation Risk Management Authority and regional and state-level awards the California Water Environment Association.

***Safety Incentive Program:*** This Program is designed to enhance overall employee safety through active employee participation. The program acknowledges and awards points for employee contributions in several key aspects of a sound safety culture, including providing safety hazard alerts, safety improvement suggestions, leading "tailgate" safety training sessions, and participating in outside safety training activities such as webinars and conferences. Wellness points are awarded in recognition of doctor/dentist visits, vaccinations, and outside wellness topic training such as those offered via the Agency's Employee Assistance Program. Twice per fiscal year employees are awarded monetary awards for achieving specific point levels.

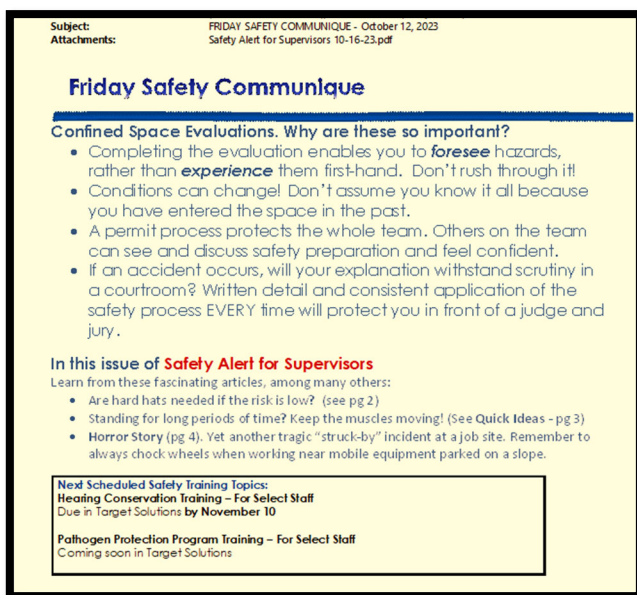
Program data for FY23 shows continued participation in tailgate training and formal safety communications. For example, initially under this program, the Agency averaged one tailgate session every two months, and included nominal employee participation. In FY23, CMSA employees led a total of 80 tailgates, which is an increase over the total held in FY22 (68). Seventeen valid safety hazard observations were submitted and addressed during this period.

The total incentive program points earned by each employee provides a fair indication of the level of participation in the program. The Agency saw sustained participation from 38 employees in FY23, who qualified for a total of 45 monetary awards.

MAJOR INITIATIVES (Continued)

**Safety Training:** In addition to informal safety training tailgate sessions, the Agency provides continuous reinforcement of proper safety procedures with regular, formal safety training. This formal training, unless required or warranted more frequently, is refreshed every three years. For scheduling purposes, the required training is placed into a 48-month training calendar to accommodate 12-, 24- and 36-month renewal cycles, with make-up training provided on an ad hoc basis. In FY23, The Agency facilitated or conducted 51 formal safety training sessions on approximately 36 separate classroom or web-based topics, including Bobcat loader safety, Injury and Illness Prevention Program, injury reporting and management, chainsaw safety, laboratory chemical hygiene, fall protection, ladder safety, personal protective equipment, industrial truck, defensive driving, confined space entry safety, hearing loss prevention, hazardous energy control (lockout/tagout), heat illness prevention, traffic control/flagger, emergency action planning, fire extinguisher use, and wildfire smoke exposure protection. The addition of seven new employees last year required safety orientation trainings and additional sessions in lockout/tagout and confined space safety. Combined with tailgates, efforts from all staff totaled approximately 690 cumulative safety training-hours.

**Safety Committee:** The Agency’s Safety and Security Committee is made up of staff members from each department and meets monthly. The committee communicates safety and security events, issues, and information from, and to their respective work groups. The committee exists to promote a safe and secure work environment through identification and evaluation of health and safety issues, physical issues, and IT security matters. Part of its efforts to support Agency staff includes making recommendations for hazard corrections and enhanced protective measures as well as monitoring the implementation and effectiveness of safety programs.



**Safety Communications:** One of several methods used to communicate safety to all staff is a newsletter-style communication, known as the “Friday Safety Communique”, which is distributed on a periodic basis. The Friday Safety Communique covers current safety-related events (e.g., COVID-19) and safety-related topics of interest including those published in the *Cal OSHA Reporter* and the *Safety Alert for Supervisors*. CMSA maintains subscriptions to both publications, which are posted periodically on a safety bulletin board in the employee lunchroom and summarized in the

Communique. The Communique also provides reminders on all upcoming training events at CMSA.

## MAJOR INITIATIVES (Continued)

**Awards:** In April the Senior Safety Specialist achieved certification as a Certified Safety Professional, a nationally recognized professional credential.

**Special Projects:** A plant-wide fall hazard inventory (previously addressed in 2009) was updated. Equipment hatch openings were identified as requiring an improved solution for fall protection for personnel working near such openings. Fall anchorage connector devices suitable for permanent installation have been procured and plans have begun for installation at various locations.

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**HUMAN RESOURCES, FINANCIAL MANAGEMENT, AND LONG-TERM FINANCIAL PLANNING**

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The Agency continues to take the initiative to refine and address its business practices and long-term financial stability for FY23 and beyond.

**Student Internship Program:** CMSA provides internship opportunities for students interested in careers in the water or wastewater industry. Internships are an opportunity for students to gain exposure in a public sector environment and enhance their academic training. High school and college students, as well as students in Career Technical Education, a Regional Occupational Program, or similar programs are eligible, as are recent graduates. A department manager seeking an intern prepares a draft learning plan that includes how the student will benefit from the training and experience of the internship program assignments. The Agency has had several interns in the environmental laboratory and engineering work groups over the past year, and plans for additional interns in other departments.

**Retired Annuitants:** The Agency also supports the use of retired annuitants for special projects requiring unique expertise. Last year, four retired annuitants worked at the Agency. A long-time Electrical/Instrumentation Supervisor and an E/I Technician were hired for various electrical and control system projects, and to train newly hired electricians. A Utility Worker was hired to train new employees and work on special landscape improvement projects, and an Administrative Specialist is covering maternity leave for the incumbent employee.

**PARS for Non-Full-Time Employees:** The Agency uses the Public Agency Retirement System (PARS) for its retirement contributions for interns, retired annuitants, and Board members. PARS replaces social security and provides more retirement options for these employee classifications. The cost of PARS is shared 50% between the employer and employee, and plan contributions are submitted to a 401K style retirement plan. The employee has the option at time of separation to withdraw all contributions, roll the contributions into another retirement plan, or purchase CalPERS service credit should the employee become a member of CalPERS.

## MAJOR INITIATIVES (Continued)



**Self-Insured Dental Plan:** The Agency contracts with Employer Driven Insurance Services, a third-party administrator, to manage our self-insured dental plan. The annual benefit is \$2,500 per year for each family member, and the plan is easier to manage and less expensive than the Agency's previous dental plan. The plan works like other traditional plans but allows for customization.

The self-insured dental plan has been very well-received and has saved the Agency approximately 28% in FY23 from the prior plan.

**Financial System Software:** During FY21, the Agency purchased new financial system software from Tyler Technologies, Incode, to replace the aging existing system. The financial and personnel suites include general ledger, accounts receivable, cashiering, purchasing, accounts payable, payroll, personnel management, employee self-service, time and attendance, fixed assets, project accounting, and Tyler content manager modules. The new system is a significant time- and cost-saver for all users, and provides reporting for managers and supervisors, and accounting and support services for administrative staff.

During FY23, staff completed implementation of credit card payments taken over the counter, on CMSA's website, and by phone. Credit card payments allow customers and the public an easy and convenient way to pay small dollar fees and routine invoices. The customer account feature in Incode maintains a history of transactions and payments.

Staff has also completed implementation of project accounting to better track the Agency's large capital program financial activities. Project accounting tracks revenues, expenses, and budget over a project's life that can exceed a single-year accounting cycle. Amounts are charged to categories that are more understandably displayed, and reporting can be used for internal purposes or provided to an outside party for grant or loan administration and reporting.

**Policy and Procedure Review:** CMSA executive staff reviews the Agency's Personnel, Financial, and Administrative Policies on a regular rotating basis. A financial policy review was completed in FY21, an administrative policy review in FY22, and a personnel policy review in FY23. Personnel policy revisions can take longer than administrative or financial policies, as they require legal review and involve a meet-and-confer with the employee union. These reviews benefit the Agency by keeping up-to-date with changing laws, rules, and regulations, and updates in the use of the policies as they relate to practical work situations. The FY23 Personnel Policy Manual review resulted in numerous non-substantive revisions that were accepted by the union and approved by the CMSA Board of Commissioners.

**Two-Year Budget:** The Agency utilizes a two-year budget format that began with FY20 and FY21. The two-year budget saves considerable staff time, compared to preparing a budget every year. Mid-year and mid-cycle adjustments are utilized should actual and/or projected

## MAJOR INITIATIVES (Continued)

revenue or expenses change which would prompt a revision. With the two-year budget in place, Administration staff have more time for other tasks and projects in the spring of year-one. The FY24 and FY25 budgets were adopted by the Board in late FY23.

***Future Revenue Planning:*** The Agency updates its 10-year financial forecast when preparing the biennial budget. The forecast is a long-term budgetary examination of Agency operations and capital revenues, operating expenses, capital costs, and reserve balances. It is the result of a collaborative process between Agency staff and the CMSA Board Finance Committee, and it provides a strategic perspective to guide the Board in making decisions on the direction for future revenues, funding, and uses of Agency reserves.

The Agency currently has a 5-year revenue plan in place through FY28, and its revenue figures are incorporated into the FY24 and FY25 budgets. Under the plan, operating revenue is funded by regional service charges to the JPA members, contract and program service fees, and other non-capital general funding sources. Operating expenditures escalate from the base year by estimated general increases for pro-forma annual reasonable costs. Capital expenses are funded by sewer system capacity charges, a debt service coverage charge, a capital fee, and unrestricted capital reserves.

The revenue program is fixed for the five-year duration, unless unforeseen or unanticipated circumstances arise warranting a revision. FY23 saw large inflationary price hikes in the cost of chemicals, nearly doubling what was originally projected. The regional service charge was increased for the FY24 and FY25 budgets from an original 3.5% increase to a 4% increase. The forecasting model was then updated with FY23 actuals to replace projections that resulted in the potential further need to increase the regional service charges for FY25 to FY28. CMSA's Board is considering regional charge increase options.

***Managing Unfunded Obligations:*** The Agency issued pension obligation bonds in April 2022 in the principal amount of \$9,432,000 at an interest rate of 3.36% with a 15-year amortization to take advantage of low interest rates and reduce annual costs in connection with the annual unfunded actuarial liability (UAL) payment made to CalPERS. The Agency will continue to budget for the annual payments to CalPERS, and the difference between the bond debt service and the UAL amounts will be sent to a Section 115 trust that can only be used for future pension-related purposes. This financial arrangement will provide flexibility and savings to the Agency while reducing the unfunded obligation with CalPERS to a small and manageable level.

***Future Debt Planning:*** The Agency is planning in FY26 to issue revenue bonds in the amount of \$13 million to continue to finance portions of its 10-year capital program. The 10-year capital program consists of the purchase or construction of projects from four areas: facility improvements, general equipment, liquids treatment equipment and systems, and solids treatment and energy generation equipment and systems. These areas call for recurring repair and replacement of equipment and systems, as well as construction of new or upgrading processes and systems. The 10-year capital improvement program currently contains 46 separate projects with an estimated cost to implement of \$75.8 million.



## FINANCIAL INFORMATION

**Accounting System and Budgeting Controls:** The Agency's executive team is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, they make decisions to assess the expected benefits and related costs of control procedures. The objectives of the system are (1) to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and (2) to ensure that transactions are executed in accordance with management and Board authorization, and are properly recorded in accordance with generally accepted accounting principles of the United States of America (US GAAP). CMSA believes that its internal accounting controls adequately address both goals.

CMSA accounts for its financial activities in a single enterprise fund proportionately charging for wastewater treatment services to its JPA members who charge full service wastewater collection and treatment fees to service connections within their respective service areas. The Agency's account structure, insofar as is practical, and in accordance with GAAP, follows the California State Controller's System of Accounts for a Waste Disposal Enterprise. This is a set of procedures that provides general accounting and reporting guidelines to be used by California Special Districts performing waste disposal enterprise activities.

The Agency's Board of Commissioners adopts a biennial budget to serve as the approved financial plan for each of the two fiscal years. Provisions within the JPA agreement authorize the Board to set the regional service charge to the JPA member agencies. Total revenues received by CMSA from the JPA members, as well as other revenue sources, fund the Agency's annual operations, capital programs, and debt service. The budget is used as a key control device to ensure Board oversight for operations and capital expenditures, monitor expenses and project their progress. All operating and capital activities of the Agency are included in the approved biennial budget, along with a 10-year capital improvement program and 10-year financial forecast model.

**Financial Condition:** The maintenance of adequate cash reserves is an essential element of the Agency's prudent financial management practices and is a key component of the Agency's sound financial position. An appropriate level of reserves ensures that resources are available for unforeseen emergencies, future capital improvement projects, and unanticipated revenue fluctuations. The Board has adopted a comprehensive reserve policy that includes specific guidance on reserve designations, funding levels, and the accumulation and uses for the established reserves. The accumulated balance in each reserve designation is reported in the monthly Treasurer's Reports to the Board and is available in the Board meeting Agenda Packet that is posted on the website at <http://www.cmsa.us/board/agendas-and-minutes>.

**Cash Management:** The Agency utilizes the services of Westamerica Bank, the Local Agency Investment Fund (LAIF), and the California Asset Management Program (CAMP) to manage its cash and cash equivalent assets. Westamerica Bank serves the Agency's general banking requirements in processing Agency receipts and disbursements. LAIF is a pooled investment

## FINANCIAL INFORMATION (Continued)

fund, administered by the Office of the State Treasurer of California and available to California local government agencies. LAIF investments are considered liquid and provide competitive short-term rates.

Additionally, the Agency invests a portion of its budgeted reserves in CAMP, a JPA established in 1989 to provide professional investment services to public agencies at a reasonable cost. Specifically, CAMP offers its investors a money market trust for the investment of public funds.

Total interest income earned and recognized during FY23 was \$675,869. The increase is attributable to an inflationary interest rate environment on pooled investments held in LAIF and CAMP.

**Agency Funding:** The Agency began its FY22 and FY23 two-year budget development process with the review of the funding requirements for salaries, benefits, materials, supplies, debt service, reserves, and capital project activities. It next assessed the different sources of revenues to fund those requirements.

Regional service charges to JPA members and the contract services revenues received for providing wastewater services to SQSP account for the two major sources of Agency revenues. These charges are set annually by the Board or through contractual agreement. Guided by a revenue management financial policy, the Agency allocates sewer service charges to each JPA member based on the three-year rolling average of their volume and strength of delivered wastewater. This methodology represents a measurable and fair assignment of treatment costs, using the cost-of-service principal as applied.

An EDU rate of \$108.61 was used to allocate debt service to each JPA member for FY23. Historic EDU rates for the last ten years are displayed in Schedule 8 of the Statistical Section. During FY23, the Agency received a total of \$13,167,002 for sewer service charges and \$5,652,539 for debt service.

**Significant Non-Cash Transactions:** While most financial transactions involve the receipt or payment of cash, some transactions known as accruals involve the recognition of revenue or expense on a different time-period than with the receipt or payment of cash. The following table represents a significant change in non-cash accrual for pension:

Non-Cash Transactions	FY Ended June 30, 2023	Increase from FY22	Percent (Decrease)
GASB 68 non-cash pension accrual	\$1,682,728	\$2,352,649	351%

**Operating & Non-Operating Revenues:** The table on the following page shows a summary of revenues by source in FY23 and compares dollar and percentage changes over FY22. The

## FINANCIAL INFORMATION (Continued)

amounts shown in the table below differ from the audited Statement of Revenues and Expenses as it provides additional detail for revenues by source.

<b>Operating &amp; Non-Operating Revenues</b>	<b>Fiscal Year Ended June 30, 2023</b>	<b>FY23 Percent of Total</b>	<b>Increase (Decrease) from FY22</b>	<b>Percent Increase (Decrease)</b>
Regional Service Charge	\$ 13,167,002	57.2%	\$ 639,972	5.1%
Debt Service Charge	5,652,539	24.6%	(3,563)	(0.1)%
Contract Maintenance Revenue	1,856,889	8.1%	(269,898)	(12.7)%
Property Use & Energy Resource Revenue	124,394	0.5%	24,164	24.1%
Permit and Inspection Fees	90,451	0.4%	47,889	112.5%
Source Control Program Revenues	99,008	0.4%	30,171	43.8%
Revenue from Haulers & RV	297,541	1.3%	68,200	29.7%
Public Education Program Revenues	115,838	0.5%	779	0.7%
<b>Total Operating Revenues</b>	<b>21,403,664</b>	<b>93.0%</b>	<b>537,714</b>	<b>2.6%</b>
Interest and Investment Income	478,298	2.1%	675,869	342.1%
Non-Operating revenue (expense)	1,125,983	4.9%	924,856	459.8%
<b>Total Non-Operating Revenues</b>	<b>1,604,281</b>	<b>7.0%</b>	<b>1,600,725</b>	<b>45,014.9</b>
<b>Total Revenues</b>	<b>\$ 23,007,945</b>	<b>100.0%</b>	<b>\$ 2,138,439</b>	<b>10.2%</b>

Total operating and non-operating revenues, excluding capital contributions for capacity charges, increased by \$2,138,439. Increases and decreases in revenue categories are summarized as follows:

- Regional service charges include a user fee and a capital fee. These charges increased 3.5% in total per a scheduled increase for FY23.
- Debt service charges include the principal and interest for the base debt service, plus a 25% debt coverage fee used for capital funding. Debt service charges are down slightly for small amounts of declining balances for the 2015 and the 2020 Revenue Bonds.
- Contract maintenance revenues decreased approximately \$270,000 mainly due to one-time extra work projects for SQSP that were completed.
- Energy sale revenue increased mainly from more purchases from Marin Clean Energy.
- Permits and inspection fees were consistent between years but included a new revenue source for COVID and illegal drug wastewater surveillance sampling for the county.
- Revenue from haulers increased from more septic and FOG waste received.
- Public education program revenues are very consistent between years.
- Interest and investment income increased substantially due to inflationary interest rates.
- Miscellaneous revenues increased from the prior year for the receipt of approximately \$927,000 in grant proceeds for the Liquid Organic Waste project funded by CalRecycle.

## FINANCIAL INFORMATION (Continued)

**Capital Contributions for Capacity Charges:** The following schedule presents a summary of capital contributions for capacity charges in FY23, with a dollar and percentage comparison for changes over FY22. Capacity charges received for FY23 totaled \$641,334 for new residential, commercial, and additional fixture unit connections in the CMSA service area.

<b>Capital Contributions</b>	<b>Fiscal Year Ended June 30, 2023</b>	<b>Increase (Decrease) from FY22</b>	<b>Percent Increase (Decrease)</b>
Capacity charges	\$641,334	(\$529,796)	(45.2)%

The California Government Code requires certain disclosures regarding capacity charges. The Code requires separate accounting of capacity charges and the application of interest to outstanding balances at year end. The Agency's practice is to utilize capacity charges received on a first-in-first-out basis to finance capital projects during the fiscal year. No interest was posted to capacity charges and there was no outstanding balance of capacity charges at year end. Other required disclosures for FY23 are as follows:

- Total amount of capacity charges collected \$641,334

Listing of FY23 capital improvement projects for which capacity charges were applied:

- Secondary clarifier rehabilitation \$331,253
- Digester inspection/cleaning 310,081

**Expenses Related to General Operations:** The following schedule presents a summary of general operating expenses, excluding non-operating expenses, capital assets, depreciation, and debt service expenses, for FY23. It also includes a comparison of dollar and percentage changes over FY22.

<b>Operating Expenses</b>	<b>Fiscal Year Ended June 30, 2023</b>	<b>FY23 Percent of Total</b>	<b>Increase (Decrease) from FY22</b>	<b>Percent Increase (Decrease)</b>
Salaries and Benefits	\$ 11,090,849	70.6%	\$ 2,493,579	29.0 %
Operations Supplies & Services	2,098,928	13.4%	588,648	39.0 %
Repairs and Maintenance	664,853	4.2%	(702,220)	(51.4) %
Permit Testing and Monitoring	204,105	1.3%	5,857	3.0 %
Insurance	410,435	2.6%	(35,481)	(8.0) %
Utilities and Telephone	446,020	2.8%	(145,527)	(24.6) %
General and Administrative	792,304	5.1%	(48,563)	(5.8) %
<b>Total Expenses</b>	<b>\$ 15,707,494</b>	<b>100.0%</b>	<b>\$ 2,156,293</b>	<b>15.9%</b>

## FINANCIAL INFORMATION (Continued)

Total operating expenses increased by \$2,156,293 and are summarized as follows:

- Salaries and Benefits increased overall an approximate \$2,500,000 from the prior year due to a 5% cost-of-living adjustment, a 6.6% increase of medical expenses, and a large non-cash accrued pension expense of approximately \$2,300,000.
- Operations supplies and services increased approximately \$590,000 for substantial increases in the cost of certain treatment chemicals due to inflation and supply chain issues.
- Repairs and Maintenance costs are down due to an increase in parts inventory in FY23 rather than consuming and expensing parts on in-house projects.
- Insurance decreased overall, approximately \$35,000, due to a reduction in Workers' Compensation insurance, but sustained a large increase in property insurance due to a hard insurance market marked by numerous global adverse events.
- Utility costs decreased due a rehabilitated digester returning to service and generating biogas for power generation, thereby decreasing the need to purchase natural gas or electricity for Agency use.
- General and Administrative expenses reflect a net decrease of approximately \$49,000 for decreases in conferences and professional services.

***Revenue Bonds Assets and Liabilities:*** The Agency issued Refunding Revenue Bonds Series 2015 in the principal amount of \$49,310,000 at a premium of \$5,344,174 in an advance refunding to prepay the outstanding principal of 2006 Revenue Bonds, purchase a surety policy to replace the previous cash funded reserve, and pay certain costs of issuing the bonds. The Bonds are fully registered, with principal due annually on September 1, and interest payable semi-annually on March 1 and September 1. The bonds maturing on or after September 1, 2025, are subject to optional redemption on any date on or after September 1, 2024, together with accrued interest to the redemption date, without a premium.

The Agency issued \$9,115,000 in Series 2020 Revenue Bonds during FY21 at a premium of \$215,574 and discount of \$70,982 with an interest rate ranging from 2.0 to 2.25 percent. The Bonds were used primarily for improvements to the Agency's treatment and reuse facilities and for certain other maintenance projects to replace capital assets at end of their service life, and to make other capital improvements as approved by the Board of Commissioners. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The bonds are callable at par anytime on or after September 1, 2030.

Each JPA member is obligated to pay its share of the semi-annual debt service and 25% debt coverage payments to CMSA, pursuant to a Debt Service Payment Agreement between CMSA and the JPA members, and the Master Indenture between CMSA and the Bond Trustee. The allocation of the debt service payment and coverage to each member is based on the number

## FINANCIAL INFORMATION (Continued)

of EDUs reported for the member's service area. Debt Service Charges per EDU are fixed for each member's service area for consistency beginning with FY18. Service Charge Revenue reflects the actual semi-annual debt service payments received from the JPA members and is based solely on 125% of the scheduled semi-annual debt payments to the bond holders.

The following schedule is a summary of debt service activities related to Refunding Revenue Bond Series 2015 and Revenue Bond Series 2020 for the fiscal year ended June 30, 2023.

	<b>Fiscal Year Ended</b>
	<b>June 30, 2023</b>
<b>Revenue Related to Debt Service</b>	
Service charge revenue - principal	\$ 3,065,000
Service charge revenue - interest	1,457,031
Service charge revenue - coverage	1,130,508
Service Charge Revenue: Debt Service	<u>\$ 5,652,539</u>
<b>Outstanding Debt</b>	
Current Maturity (due in one year)	3,175,000
Long-term debt (greater than one year)	<u>35,495,000</u>
<b>Total Outstanding Debt</b>	<u><b>\$38,670,000</b></u>

**Pension Obligation Bonds:** On April 28, 2022, the Agency issued \$9,432,000 in private placement Series 2022 taxable Pension Obligation Bonds (POBs) with an interest rate of 3.36%. The POBs were used solely for reducing the Agency's unfunded actuarial accrued pension liability (UAAL) by paying off a significant portion of the balance. The POBs are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The POBs are callable at par anytime on or after September 1, 2030.

	<b>Fiscal Year Ended</b>
	<b>June 30, 2023</b>
<b>Revenue Related to Debt Service</b>	
Service charge revenue - principal	\$ 166,000
Service charge revenue - interest	263,948
Service charge revenue: debt service	<u>\$ 429,948</u>
<b>Outstanding Debt</b>	
Current Maturity (due in one year)	130,000
Long-term debt (greater than one year)	<u>9,136,000</u>
<b>Total Outstanding Debt</b>	<u><b>\$ 9,266,000</b></u>

The POBs were set to pay off 98% of the UAAL with CalPERS. Funding for the POBs comes from the former annual scheduled UAAL payment with CalPERS. Annual POB debt service is lower than the scheduled annual UAAL payment. The Agency will continue to budget for the annual

## FINANCIAL INFORMATION (Continued)

scheduled UAAL payment with the excess of the UAAL payment amount over the debt service payment amount contributed to a Section 115 pension trust. Monies accumulated in the trust currently in the amount of \$207,792 are accounted for as assets of the Agency and restricted net assets and may be used for pension benefit purposes only. The POBs are not subject to the coverage requirement as with the 2015 and 2020 revenue bonds. \$197,389 was contributed to the trust in FY23.

**Capital Assets:** The following schedule presents a summary of capital assets for the fiscal year ended June 30, 2022, with a dollar and percentage comparison for changes over FY21.

<b>Capital Assets</b>	<b>Fiscal Year Ended June 30, 2023</b>	<b>Increase (Decrease) from FY22</b>	<b>Percent Increase (Decrease)</b>
Plant and facilities at cost	\$179,533,895	\$5,040,725	2.9%
Accumulated depreciation and disposition	(98,759,326)	(4,582,040)	4.9%
<b>Net Plant and Facility</b>	<b>\$ 80,774,569</b>	<b>\$458,685</b>	<b>0.6%</b>

The Agency's investment in capital assets as of June 30, 2023 totaled \$80,774,569, net of accumulated depreciation. The investment in capital assets includes land and land improvements, construction-in-progress, wastewater treatment facilities, wastewater disposal facilities, general plant and administrative facilities, and right-of-use assets. During FY23, the Agency acquired approximately \$5,041,000 in capital assets, transferred approximately \$11,786,000 from construction-in-progress into service, and recorded an additional amount of approximately \$4,582,000 for depreciation of capital assets in service. Depreciation expense increased by \$282,721, as there were more assets placed in service in FY23 versus FY22. Major capital asset transactions including amounts spent during the fiscal year include the following:

- Completed the new cogeneration system project, \$5,358,516
- Completed the secondary clarifier rehabilitation #4 and #1 project, \$2,448,997
- Completed the digester inspection/cleaning/refurbish project, \$1,743,332
- Purchased and placed in service various pumps and wastewater facilities, \$656,553
- Purchased and placed in service various laboratory and general equipment, \$116,447
- Purchased and placed in service various vehicles, \$40,259

**Pension Benefits:** Retirement costs have been under scrutiny in recent years due to increasing costs in connection with CalPERS and the financial performance of CalPERS. Total employer pension obligation has been reduced for new employees hired after January 1, 2013 under what is known as the Public Employees' Pension Reform Act (PEPRA). CalPERS is now essentially a two-tiered system for Classic members hired before January 1, 2013 and PEPRA members for those hired on or after January 1, 2013. CalPERS continues to revise its pension-related actuarial assumptions, such as the discount rate and life expectancy, among others, that often

## FINANCIAL INFORMATION (Continued)

leads to increased employer contribution rates. Due to the sensitivity of rates and their relationship as a percentage of revenue, the Agency has elected to disclose this information on its website for transparency (See Table of CalPERS Pension Contributions as Percentage of Revenue at [www.cmsa.us/finance/documents/](http://www.cmsa.us/finance/documents/)). Approximately 63% of Agency employees were hired under the lower-cost PEPPA plan.

One of the requirements of a recent governmental accounting pronouncement, GASB 68, is to reflect a liability for total pension obligation on the face of the Statement of Net Position and for increases or decreases in the obligation to flow through the Statement of Revenues and Expenses and Changes in Net Position. Differences between the total change in obligation and actual cash paid are an accounting procedure known as accruals. For transparency, the Agency describes details of significant cash versus accrual items when they occur to ensure clarity for large changes in benefit expenses.

<u>Fiscal Year</u>	<u>Base Pension Contributions</u>	<u>UAL Pension Contributions</u>	<u>Pension Accrued</u>	<u>Total Pension</u>
FY23	\$647,909	\$518,633	\$1,682,728	\$2,849,270
FY22	639,170	975,377	(669,921)	944,626
FY21	687,250	831,045	690,696	2,208,991
FY20	596,587	724,668	1,058,022	2,379,277
FY19	533,164	598,231	310,173	1,441,568
FY18	347,760	619,899	1,040,765	2,008,424
FY17	553,681	403,722	1,174,900	2,132,303
FY16	607,041	352,583	(256,509)	703,115
FY15	927,186	(1)	(731,956)	195,230
FY14	2,724,054	(1)	(2)	2,724,054

Note <sup>1</sup> UAL pension contributions formerly included in employer base contributions rate.

Note <sup>2</sup> Pension accruals became effective with GASB 68.

**Other Post-Employment Benefits (OPEB):** The Agency provides other post-employment benefits (OPEB) for eligible employees also on a two-tiered basis. Tier-1 employees hired before July 1, 2010 receive a fully paid lifetime medical insurance benefit for the employee only, while Tier-2 employees hired after July 1, 2010 may receive a lifetime medical insurance benefit, currently in the amount of \$151 per month and adjusted annually thereafter, with the remainder of the monthly insurance premium paid by the retiree. During active years, Tier-2 employees also receive an employer provided health reimbursement account (HRA) used to accumulate funding to pay for medical costs after retirement. The Agency contributes 1.5% of gross base salary to the HRA plan, that is not taxed as compensation, upon transfer to the trust, or upon receipt of benefits from the trust.



## FINANCIAL INFORMATION (Continued)

The Agency is subject to an accounting pronouncement known as GASB 75 that became effective in FY18 for its post-retirement health care plan. Like pensions, the total obligation for the OPEB plan, net of plan assets, will be reflected as a liability on the Statement of Net Position. The plan is approximately 66% funded with an unfunded liability remaining in the amount of approximately \$1,570,000. Increases or decreases in the obligation will now flow through the Statement of Revenues and Expenses and Changes in Net Position and, if material, will be described in its two components of cash payments made as well as non-cash accruals recorded. For transparency, the Agency has also elected to post its OPEB actuarial valuation reports on the website at [www.cmsa.us/finance/documents](http://www.cmsa.us/finance/documents).

The Agency uses the California Employers' Retirement Benefit Trust (CERBT) to hold its plan assets for distribution to eligible retirees and beneficiaries. The table below reflects the Agency's retiree count, plan contributions, and total OPEB expense by year.

<u>Fiscal Year</u>	<u>Number Retirees</u>	<u>OPEB Contributions</u>	<u>OPEB Accrued <sup>(1)</sup></u>	<u>Total OPEB</u>
FY23	38	\$170,046	\$(29,583)	\$140,463
FY22	35	176,458	(195,119)	(18,661)
FY21	34	209,974	(50,917)	159,057
FY20	32	226,958	(39,025)	187,933
FY19	31	224,526	21,772	246,298
FY18	32	292,033	(38,862)	253,171
FY17	30	286,875	15,912	302,787
FY16	30	289,977	19,997	309,974
FY15	30	314,006	(1)	314,006
FY14	31	307,370	(1)	307,370

Note <sup>1</sup> OPEB accruals became effective with GASB 43 later superseded by GASB 75.

***Risk Management:*** The Agency maintains a comprehensive risk management program which encompasses risk retention and/or transfer, and risk reduction or avoidance. In the area of risk retention and/or transfer, the Agency transfers risk using insurance policies, while retaining a manageable portion of risk through deductibles. The Agency is a member of the California Sanitation Risk Management Authority, a JPA with 59-member wastewater agencies in the state, that was established for the operation of common risk management and loss prevention programs for its Workers' Compensation, general liability and auto liability, employment practice, and property insurance needs. Risk is transferred whenever possible using hold harmless (indemnification) clauses in all Agency-related contracts and agreements.

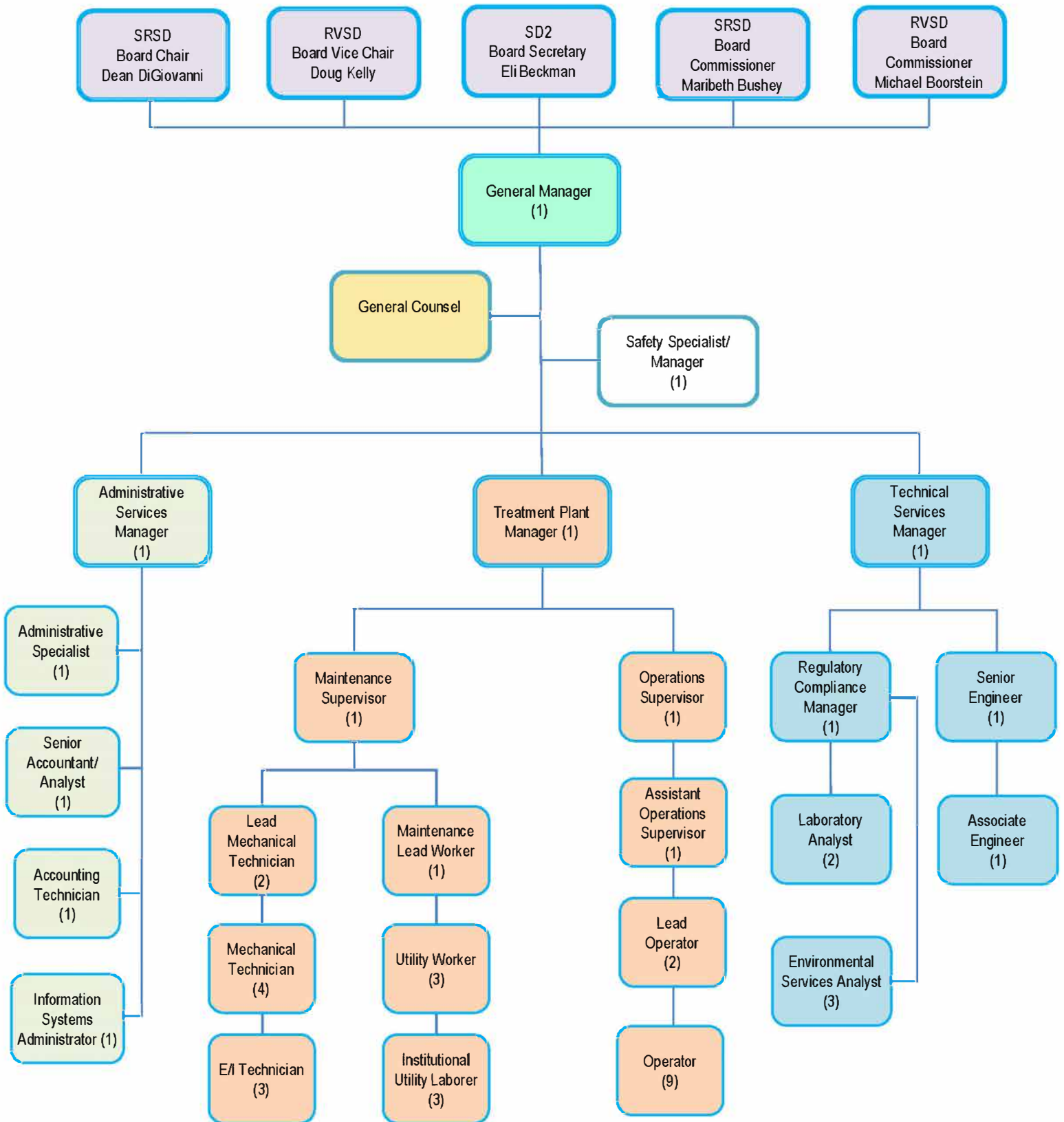
In the area of risk reduction or avoidance, the Agency utilizes a safety officer, a safety committee comprised of employees from different department and work groups, the cooperative Health & Safety Program, and outside risk management and safety consultants.

## FINANCIAL INFORMATION (Continued)

Much attention is focused on safety at CMSA. Training is provided to educate employees on all aspects of workplace safety. It includes required Cal-OSHA safety training, and proper workplace performance procedures for everyday duties such as the proper usage of tools and machinery and safe driving programs for employees using Agency vehicles. Additional recognition is given to the safety committee and safety officer for their ongoing efforts to ensure workplace safety.

***Independent Audit:*** State statutes require an annual audit by independent Certified Public Accountants. The accounting firm of Cropper Accountancy Corporation performed the audit of the Agency's FY23 financial statements. Cropper Accountancy Corporation specializes in governmental and non-profit audit engagements. In addition to meeting the requirements set forth in state statutes, the auditor also reviewed the Agency's financial policies and procedures, as well as the Agency's adherence to them in conducting financial transactions. The auditor's report on the general-purpose financial statements and accompanying notes are included in the financial section of this report.

# CMSA ORGANIZATIONAL CHART



47 Full Time Equivalent Employees (FTE)  
June 30, 2023

<b>CMSA Authorized Staff Positions</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>ADMINISTRATION</b>			
General Manager	1	1	1
Administrative Specialist (I-III)	1	1	1
Administrative Services Manager	1	1	1
Senior Accountant/Analyst	1	1	1
Personnel and Accounting Technician	1	1	1
Information Systems Administrator	1	1	1
<b>Total Administration</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>HEALTH &amp; SAFETY</b>			
Safety Specialist/Manager	1	1	1
<b>Total Health &amp; Safety</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>MAINTENANCE</b>			
Treatment Plant Manager (0.5 FTE split with Operations)	0.5	0.5	0.5
Maintenance Supervisor	1	1	1
Assistant Maintenance Supervisor*	1	1	-
Maintenance Lead Worker	1	1	1
Lead Mechanical Technician	1	1	2
Mechanical Technician (I-III)	4	4	4
Utility Worker	3	3	3
Institutional Utility Laborer (Dedicated to SQSP)	3	3	3
Electrical/Instrumentation Tech (I-III)	3	3	3
<b>Total Maintenance</b>	<b>17.5</b>	<b>17.5</b>	<b>17.5</b>
<b>OPERATIONS</b>			
Treatment Plant Manager (0.5 FTE split with Maintenance)	0.5	0.5	0.5
Operations Supervisor	1	1	1
Assistant Operations Supervisor	1	1	1
Lead Operator	1	1	1
Operator (Trainee, I-III)	10	10	10
<b>Total Operations</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>
<b>TECHNICAL SERVICES</b>			
Technical Services Manager	1	1	1
Senior Engineer**	-	-	1
Associate Engineer	2	2	1
Regulatory Compliance Manager	1	1	1
Laboratory Analyst	2	2	2
Environmental Services Analyst (I-II)	3	3	3
<b>Total Technical Services</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>TOTAL AUTHORIZED STAFFED POSITIONS</b>	<b>47</b>	<b>47</b>	<b>47</b>

\* The Assistant Maintenance Supervisor position was replaced by a Lead Mechanical Technician during FY23

\*\* An Associate Engineer was promoted in January 2023 to Senior Engineer



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California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO





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Executive Director

*Christopher P. Morrill*

Date: 10/25/2023







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**CENTRAL MARIN SANITATION AGENCY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	59
Management's Discussion and Analysis	63
Statements of Net Position	72
Statements of Revenues, Expenses and Changes in Net Position	73
Statements of Cash Flows	74
Notes to Financial Statements	76
Required Supplementary Information for the Year ended June 30, 2023	
Schedule of Proportionate Share of Net Pension Liability	105
Schedule of Agency's Pension Plan Contributions	105
Schedule of Change in the Net OPEB Liability and Related Ratios	106
Schedule of the Agency's OPEB Contributions	107
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	108



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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Central Marin Sanitation Agency

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of the Central Marin Sanitation Agency, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Central Marin Sanitation Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Central Marin Sanitation Agency, as of June 30, 2023, and the respective 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Central Marin Sanitation Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Marin Sanitation Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override

of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central Marin Sanitation Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Marin Sanitation Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the pension's Schedule of the Agency's Contributions, Schedule of the Agency's Proportionate Share of the Net Pension Liability, Schedule of Changes in Net OPEB Liability & Related Ratios, Schedule of the Agency's OPEB Contributions, and all other schedules presented in the required supplementary information area of the report (as shown in the table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Marin Sanitation Agency's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the Central Marin Sanitation Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Central Marin Sanitation Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Marin Sanitation Agency's internal control over financial reporting and compliance.

  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California  
November 2, 2023

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**Central Marin Sanitation Agency**  
Management's Discussion and Analysis  
June 30, 2023

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This section of the Agency's Independent Audit Report presents management's discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2023. It is intended to serve as an overview to the Agency's required financial statements. Please read it in conjunction with Agency's financial statements and accompanying notes, which follow this section.

## **ORGANIZATION AND BUSINESS**

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves central Marin County residents, businesses, and governmental institutions including San Quentin State Prison (SQSP). The area served by CMSA includes portions of the City of San Rafael, the City of Larkspur, the Towns of Corte Madera, Fairfax, Ross, and San Anselmo, and the unincorporated areas of Ross Valley. For the FY23 reporting period, the Agency provided services to 47,263 equivalent dwelling units (EDUs) with an approximate population of 105,000 in the service area. An additional 4005 EDUs have been assigned to SQSP for total EDUs of 51,268.

In the 1970's, Central Marin County had four small wastewater treatment plants whose operations were not able to meet the stringent new requirements of the 1972 Clean Water Act. Accordingly, the four local agencies that provided wastewater services, San Rafael Sanitation District (SRSD), Ross Valley Sanitary District (RVSD), Sanitary District No. 2 of Marin County (SD2), and the City of Larkspur, entered into a joint powers agreement (JPA) in October 1979 to create a separate governmental entity, the Central Marin Sanitation Agency (CMSA), to oversee the construction and operation of a regional wastewater treatment facility. The SQSP chose not to join the JPA. The Agency's facilities were constructed at a cost of approximately \$84 million and funded by federal (75%) and state (12.5%) clean water grants, as well as local shares (12.5%) from the four local agencies and SQSP. In January 2020, the Members approved a City of Larkspur Withdrawal Agreement and amended the JPA to remove Larkspur as a Member.

The CMSA wastewater treatment facility became operational in January 1985. The treated wastewater discharged into central San Francisco Bay as clean effluent consistently meets and exceeds all federal, state, and regional regulatory requirements. Since that time, CMSA has successfully carried out its mission of protecting public health and the environment through the planning, administration, and coordination of wastewater services throughout Central Marin County. CMSA also provides other services that benefit its customers and the environment through 1) participating in federal pretreatment and regional pollution prevention programs, 2) serving as the lead agency for administering a comprehensive safety program with another wastewater agency in the county, 3) managing a countywide public educational program, 4) providing collection system maintenance, source control, and other services under contract to several local agencies in the county, and 5) administers an organic waste receiving program to produce renewable power that is exported to the utility grid and sold to Marin Clean Energy.

The Agency's governing body, a Board of Commissioners (Board), comprises individuals appointed by the JPA agencies. SRSD and RVSD each have two members on the Board while SD2 has one member. The five-member Board sets policy for the Agency. The Board appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board. The General Manager is the chief administrative officer responsible for Agency operations and long-term planning in

**Central Marin Sanitation Agency**  
Management's Discussion and Analysis  
June 30, 2023

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accordance with the Board's policies and approved budget. The Treasurer/Controller is charged with overall financial responsibility in accordance with established Agency policies.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report includes the Management's Discussion and Analysis report, the Independent Auditors' report, and the Basic Financial Statements of the Agency. The financial statements also include notes that explain the information in the financial statements in more detail.

## **BASIC FINANCIAL STATEMENTS**

The Financial Statements of the Agency report information about the Agency's accounting methods that are similarly used by private sector companies. These statements have been prepared and audited using generally accepted accounting principles and auditing standards. These required statements offer short-term and long-term financial information about the Agency's activities and are often used to assess the financial position and health of the organization.

The Statement of Net Position includes all the Agency's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, and provides information about the nature and amounts of investments in resources and obligations to creditors. It also provides the basis for evaluating the capital structure of the Agency.

The Statement of Revenues, Expenses and Changes in Net Position accounts for all revenues and expenses during the reporting period. This statement reflects the result of Agency operations over the past year as well as non-operating revenues, expenses, and contributed capital.

The Statement of Cash Flows provides information on the Agency's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operational, capital, and investing activities. It also identifies the sources and uses for the cash and changes in the cash balances.

## **FINANCIAL ANALYSIS OF THE AGENCY**

One of the most important questions asked about Agency finances is whether the Agency'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 Agency's activities in a way that will help answer this question. These two statements report the net position of the Agency as well as related changes. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one way to measure financial health or financial position. Over time, increases or decreases in net position shows if financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.



**Central Marin Sanitation Agency**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**NET POSITION STATEMENT ANALYSIS**

**Table 1 – Summary of Net Position**

<u>Description</u>	<u>Fiscal Year Ended June 30, 2023</u>	<u>Fiscal Year Ended June 30, 2022</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current and other assets	\$26,807,644	\$26,805,319	\$ 2,325	0.0%
Capital assets – net	<u>80,774,570</u>	<u>80,315,884</u>	<u>458,686</u>	<u>0.6</u>
Total assets	<u>107,582,214</u>	<u>107,121,203</u>	<u>461,011</u>	<u>0.4</u>
Deferred outflows of resources	<u>12,945,012</u>	<u>13,581,357</u>	<u>(636,345)</u>	<u>(4.7)</u>
Current liabilities	5,116,816	5,212,034	(95,218)	(1.8)
Noncurrent liabilities	<u>56,840,186</u>	<u>60,371,767</u>	<u>(3,531,581)</u>	<u>(5.8)</u>
Total liabilities	<u>61,957,002</u>	<u>65,583,801</u>	<u>(3,626,799)</u>	<u>(5.5)</u>
Deferred inflows of resources	<u>7,467,841</u>	<u>5,825,343</u>	<u>1,642,498</u>	<u>28.2</u>
Net position –				
Net investment in capital assets	40,645,174	38,327,344	2,317,830	6.0
Restricted for pension trust	207,961	19,357	188,604	974.3
Unrestricted	<u>10,249,248</u>	<u>10,946,715</u>	<u>(697,467)</u>	<u>(6.4)</u>
Total net position	<u>\$51,102,383</u>	<u>\$49,293,416</u>	<u>\$1,808,967</u>	<u>3.7</u>

The Summary of Net Position shown above reflects no-new large transactions for FY23, mainly paydown of debt, construction of capital assets, and changes in deferred inflows and outflows in connection with pension and OPEB obligations. The restricted cash for pension trust is a prefunding program in conjunction with the pension obligation bonds. Capital assets increased for FY23 for additions to construction in progress as well as completed capital asset transfers placed in service. Capital assets increased on an overall net basis after provision for depreciation for the FY23. Current liabilities decreased net for decreases in accrued payroll-related liabilities paydown of long-term debt. Noncurrent liabilities are down due to paydown of long-term debt as well as amortization of debt premiums and discounts. Net position invested in capital assets is shown net of outstanding debt used to finance construction of capital assets and increased primarily for CIP changes during FY23. Unrestricted net position decreased overall for expenses slightly in excess of revenues and the final use of restricted debt proceeds for CIP, approximately \$1,701,000.

Net position increased by \$1,808,967 to \$51,102,383 from FY22 to FY23 as described below:

- Total assets increased by \$498,933 due mainly to capital assets. Current assets increased a small amount, \$40,248, due to minor offsetting fluctuations such as increases in operating cash, restricted cash, and receivables, up \$1,791,411, and a decrease in debt proceeds of \$1,700,976. A few other offsetting items make up the total difference.

**Central Marin Sanitation Agency**  
**Management's Discussion and Analysis**  
 June 30, 2023

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**Table 1 – Summary of Net Position (Continued)**

- Deferred outflow amounts decreased overall \$636,345 with decreases in pension of \$1,152,048 and loss on early retirement of debt, and an increase in OPEB of \$702,191.
- Current liabilities (obligations due within 12 months) decreased by \$95,218 overall. The net decrease was due generally to decreases in accounts payable and accrued payroll related liabilities and increases in the current portion of long-term debt.
- Non-current (long-term) liabilities decreased by \$3,531,581 due to decreases in bond principal and net pension liability for the recent refinancing of the obligation with CalPERS replaced by pension obligation bonds, and changes in the amortization of premiums and discounts in connection with revenue bonds. There was also an increase in the net OPEB liability. Additional information on the Agency's non-current liabilities can be found in Note #6 - Long-Term Obligations in the Notes to the Financial Statements.
- Deferred inflows of resources increased overall by \$1,642,498 for increases in pension adjustments, \$1,591,744, an OPEB adjustments decrease of \$232,054, and an increase in deferred inflow of \$282,808 for long-term rental income in connection with a site lease.

By far the largest portion of the Agency's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and right of use assets) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide treatment services for the residents and businesses in its service area. Accordingly, these assets are not available for future spending. Although the Agency's investment in capital assets is reported net of 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 or sold to liquidate Agency liabilities. New debt was issued during FY22 for pension obligation bonds (POBs) to achieve debt service savings from the previous UAL payment with CalPERS and to better manage long-term pension-related obligations. The restricted pension trust is a program used in conjunction with the POBs to set aside the excess of the budgeted UAL amount over actual POB debt service plus any UAL amounts charged by CalPERS. Contributions into the trust are irrevocable can only be used for pension-related purposes. The remaining balance of the net position is unrestricted and may be used to meet the Agency's ongoing obligations to its customers and creditors.

**Central Marin Sanitation Agency**  
Management's Discussion and Analysis  
June 30, 2023

**REVENUES, EXPENSES, AND CHANGE IN NET POSITION STATEMENT ANALYSIS**

**Table 2 – Change in Net Position**

Description	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Amount Increase (Decrease)	Percent Increase (Decrease)
Service charges	\$18,819,541	\$18,183,132	\$636,409	3.5%
Contract maintenance revenues	1,856,889	2,126,787	(269,898)	(12.7)
Other operating revenues	727,233	556,030	171,203	30.8
Interest and investment income	478,298	(197,571)	675,869	342.1
Other non-operating rev (exp)	1,125,984	201,127	924,857	459.8
Total revenues	<u>23,007,945</u>	<u>20,869,505</u>	<u>2,138,440</u>	10.2
Salaries and benefits	11,105,246	8,619,869	2,485,377	28.8
Operations supplies and services	2,098,928	1,510,280	588,648	39.0
Repairs and maintenance	650,455	1,344,474	(694,019)	(51.6)
Permit testing and monitoring	204,105	198,248	5,857	3.0
Depreciation and amortization	4,585,208	4,299,319	285,889	6.6
Insurance	410,435	445,916	(35,481)	(8.0)
Utilities and telephone	446,020	591,547	(145,517)	(24.6)
General and administrative	792,304	840,867	(48,563)	(5.8)
Interest expense	1,547,611	1,640,548	(92,937)	(5.7)
Total expenses	<u>21,840,312</u>	<u>19,491,068</u>	<u>2,349,245</u>	12.1
Income (loss) before cap contrib	1,167,633	1,378,437	(210,804)	(15.3)
Add: capacity charges revenue	641,334	1,171,130	(529,796)	(45.2)
Increase (decrease) in net position	1,808,967	2,549,567	(740,600)	(29.0)
Net position – beg	49,293,416	46,743,849	2,549,567	5.5
Net position – end	<u>\$51,102,383</u>	<u>\$49,293,416</u>	<u>\$1,808,967</u>	3.7

The statement of revenues, expenses, and changes in net position reflects the Agency's operating and non-operating revenues by major sources, operating and non-operating expenses by categories, and capital contributions. The Agency's increase in net position was \$1,808,966 during FY23 as follows:

- Total revenues (operating and non-operating) increased by \$2,138,440 from FY22 to \$23,007,945 for FY23. The increase in revenues was from a scheduled 3.5% increase in billed charges to members that includes base service charges, a capital fee, the debt service charge, and the debt service coverage charge. Contract maintenance revenues decreased approximately \$270,000 due entirely to one-time extra work projects received from SQSP

**Central Marin Sanitation Agency**  
**Management's Discussion and Analysis**  
 June 30, 2023

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**Table 2 – Change in Net Position (Continued)**

that were completed and paid, with some small variations in other contract maintenance revenue accounts.

- Interest and investment income increased approximately \$676,000 due to sharply rising interest rates. Other non-operating revenues (expenses) increased by approximately \$925,000 due to program reimbursements from the CERBT OPEB fund and grant reimbursements from CalRecycle in connection with certain capital projects.
- Total expenses increased approximately \$2,349,000 from FY22 to FY23. Salaries are up from the prior year due to a cost-of-living adjustment of 5.0%. CalPERS medical for the Kaiser rate increased 6.6% over the prior year while the retirement employer rate was consistent with the prior year. The actuarially calculated accrued pension expense increased from an approximate \$670,000 negative accrual in FY22 to an approximate \$1,683,000 in FY23 for a total swing of approximately \$2,300,000 due to the reversing effects of a similar but opposite accrual in the prior year related to the pension obligation bond issuance paydown in FY22. There was a similar reversing effect type entry for OPEB for FY23 in the amount of approximately \$166,000. Most other benefits are consistent between years.
- Operations supplies and services increased approximately \$590,000 exclusively for substantial chemical cost increases due to supply chain issues. Repairs and maintenance costs are down due to a large swing in parts inventory that reduces expenses on in-house projects and a reduction in one-time extra projects requested by San Quentin prison. Insurance decreased overall due to a reduction in workers compensation insurance but sustained a large increase in property insurance due to a hard insurance market. All other insurance programs changed only small amounts between years. Utility costs decreased due to a previously down digester returning to service and generating biogas thereby decreasing the need for purchasing natural gas or electricity for plant operation. Interest expense decreases annually due to declining principal balances.
- Capital contributions for capacity charges for FY23 decreased approximately \$530,000 to \$641,000. Capacity charges are received from new construction within the full-service areas of all JPA members. Member agencies collect and remit capacity charges to the Agency.

**CAPITAL ASSETS**

The Agency's investment in capital assets for FY23 totaled \$80,774,569 net of accumulated depreciation and amortization. This investment in capital assets includes land and land improvements, wastewater treatment facilities, wastewater disposal facilities, general plant and administrative facilities, construction-in-progress, and right-of-use assets. During FY23, the Agency acquired / constructed approximately \$5.0 million and depreciated approximately \$4.6 million in capital assets. There were no retirements for FY23 other than non-capitalized scrap parts and equipment. There were numerous additions for FY23 stated below.

**Central Marin Sanitation Agency**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Table 3 – Summary of Net Investment in Capital Assets**

<u>Description</u>	<u>Fiscal Year Ended June 30, 2023</u>	<u>Fiscal Year Ended June 30, 2022</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Land and land improvements	\$5,510,600	\$5,510,600	\$0	0.0%
Construction in progress	1,958,156	9,717,875	(7,759,719)	(79.8)
Wastewater treatment facilities	66,772,423	58,210,941	8,561,482	14.7
Wastewater disposal facilities	1,857,055	2,155,632	(298,577)	(13.9)
General, plant, & admin facilities	4,505,235	4,701,847	(196,612)	(4.2)
Right of use lease	159,708	-	159,708	100.0
Subscription based IT	11,393	18,989	(7,596)	(40.0)
Capital assets – net	<u>\$80,774,570</u>	<u>\$80,315,884</u>	<u>\$458,686</u>	0.6

Construction-in-progress decreased by approximately \$7,760,000 and there were approximately \$11,786,000 in completed project transfers during the year. Major capital asset completed project transfers and new acquisitions with their amounts for FY 23 include the following:

- Completed the New Cogeneration System project (\$5,358,516)
- Completed the Secondary Clarifier rehabilitation #4 and #1 project (\$2,448,997)
- Completed the Digester Inspection/ Cleaning/ Refurbish project (\$1,743,332)
- Purchased and placed in service various pumps and wastewater facilities (\$656,553)
- Purchased and placed in service various IS and lab equipment, general facilities (\$116,447)
- Purchased and placed in service various vehicles (\$40,259)

Additional information about the Agency's capital assets can be found in Note 5-Plant and Facilities.

## **DEBT ADMINISTRATION**

For FY23, the Agency had \$38,670,000 in outstanding principal from Revenue Bond Series 2015 and 2020, not including premium and discount in the amount of \$2,623,168 that are amortized over the life of the bonds. For FY23, the Agency also has Pension Obligation Bonds in the principal amount of \$9,266,000.

The Agency continues to upgrade and improve the quality of its treatment systems to exceed current environmental regulations, expand its organic waste receiving & power delivery program, and to serve the needs of its customers. The Refunding Revenue Bond Series 2015 were issued at a premium during FY15 to refund the 2006 Revenue Bonds originally used to expand the hydraulic and/or process capacity of the Agency's treatment, storage, and disposal facilities, and to implement other Board of Commissioners' approved capital improvement projects. Series 2020 Revenue Bonds were sold at premium and discount during FY21 to continue to improve, replace, expand, and/or refurbish various treatment plant systems, structures, machinery, and equipment. Pension obligation bonds were issued to take advantage of low rates to fully fund the Agency's

**Central Marin Sanitation Agency**  
Management's Discussion and Analysis  
June 30, 2023

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proportionate share of net pension obligation with CalPERS. See Note 6 – Long Term Obligations for additional information on the Agency's outstanding debt.

**Table 4 – Summary of Long Term Debt**

<u>Description</u>	<u>Fiscal Year Ended June 30, 2023</u>	<u>Fiscal Year Ended June 30, 2022</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
2015 Revenue bonds, net	\$32,807,821	\$35,841,353	\$(3,033,532)	(8.5)%
2020 Revenue bonds, net	8,485,348	8,872,638	(387,290)	(4.4)
2022 Pension obligation bonds	9,266,000	9,432,000	(166,000)	(1.8)
Long-term debt – net	<u>\$50,559,169</u>	<u>\$54,145,991</u>	<u>\$(3,586,822)</u>	(6.6)

## **ECONOMIC FACTORS**

The Agency is governed in part by provisions of the State Water Resources Control Board which specify that rate-based revenues must at a minimum cover the costs of operation, maintenance and recurring capital replacement (OM&R). The Agency is not directly subject to general economic conditions as the main source of its sewer service revenues are received directly from three JPA member agencies (SRSD, RVSD, and SD2) and not from rate payers within the service area served. The Agency does not receive property tax revenue. Accordingly, the Agency sets its charges to JPA member agencies and the State of California for SQSP to cover the costs of OM&R and debt-financed capital improvements plus any increments for known or anticipated changes in program costs.

The Agency's Board of Commissioners adopts a bi-annual budget which serves as the Agency's approved financial plan, key communication tool, and operational guide. The Board sets all fees and charges required to fund the Agency's operations and capital programs. The approved budget is used as a key control device that 1) establishes amounts by line-item accounts, identifies projects for operations and capital activities and 2) monitors expenses to ensure that approved spending levels have not been exceeded.

## **CONTACTING THE AGENCY**

This financial report is designed to provide the public, our JPA members, and creditors with a general overview of the Agency's finances and demonstrate the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Administrative Services Manager  
Central Marin Sanitation Agency  
1301 Andersen Drive  
San Rafael, CA 94901  
(415) 459-1455

***FINANCIAL STATEMENTS***

**CENTRAL MARIN SANITATION AGENCY**  
**Statement of Net Position**  
**June 30, 2023**

<b>Assets</b>	
Current Assets	
Cash and cash equivalents (Note 3)	\$ 22,077,665
Accounts receivable	1,946,757
Lease receivable, (Note 5)	62,768
Accrued interest receivable	169,757
Prepaid expenses	49,058
Deposits (self-insured dental) (Note 4)	4,594
Inventory - parts and fuel	2,115,893
Total Current Assets	26,426,492
Noncurrent Assets	
Prepaid insurance on bond issuance	22,702
Lease receivable, noncurrent (Note 5)	358,450
Capital assets, net of accumulated depreciation (Note 7)	80,774,570
Total Noncurrent Assets	81,155,722
Total Assets	107,582,214
 <b>Deferred Outflows of Resources</b>	
Loss on early retirement of long-term debt (Note 8)	1,336,498
Relating to pension (Note 12)	10,625,382
Relating to OPEB (Note 13)	983,132
Total Deferred Outflows of Resources	12,945,012
 <b>Liabilities</b>	
Current Liabilities	
Accounts payable	998,848
Accrued salaries and employee benefits	154,141
Interest payable on revenue bonds	544,345
Current portion of right-of-use lease liability (Note 5)	7,979
Current portion of compensated absences payable (Note 8)	106,503
Current portion of revenue bonds payable (Note 8)	3,175,000
Current portion of pension obligation bonds payable (Note 8)	130,000
Total Current Liabilities	5,116,816
Noncurrent Liabilities:	
Right-of-use lease liability (Note 5)	164,747
Compensated absences payable, net of current portion	899,763
Revenue bonds payable, net of premium (Note 8)	38,118,168
Pension obligation bonds payable (Note 8)	9,136,000
Net pension liability (Note 12)	6,951,524
Net OPEB liability (Note 13)	1,569,984
Total Noncurrent Liabilities	56,840,186
Total Liabilities	61,957,002
 <b>Deferred Inflows of Resources</b>	
Lease income (Note 5)	421,218
Pension adjustments (Note 11)	6,050,786
Other post-employment benefits (Note 12)	995,837
Total Deferred Inflows of Resources	7,467,841
 <b>Net Position</b>	
Net investment in capital assets	40,645,174
Restricted for pension trust	207,961
Unrestricted	10,249,248
Total Net Position	\$ 51,102,383

The accompanying notes are an integral part of the financial statements



**CENTRAL MARIN SANITATION AGENCY**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2023**

<b>Operating Revenues:</b>	
Service charges	\$ 18,819,541
Contract maintenance revenues	1,856,889
Other operating revenues	727,233
Total operating revenue	<u>21,403,663</u>
<b>Operating Expenses:</b>	
Salaries and benefits	11,105,246
Operations supplies and services	2,098,928
Repairs and maintenance	650,455
Permit testing and monitoring	204,105
Insurance	410,435
Utilities and telephone	446,020
General and administrative	792,304
Depreciation and amortization	4,585,208
Total operating expenses	<u>20,292,701</u>
Operating Income (Loss)	<u>1,110,962</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest and investment income (expense)	478,298
Interest expense on long-term debt	(1,547,611)
Other non-operating revenues (expenses)	1,125,984
Total non-operating revenues (expenses)	<u>56,671</u>
Income before contributions	1,167,633
Capital contributions - capacity fees	<u>641,334</u>
Change in Net Position	1,808,967
Net Position - Beginning of Year	<u>49,293,416</u>
Net Position - Ending	<u><u>\$ 51,102,383</u></u>

**CENTRAL MARIN SANITATION AGENCY**

**Statement of Cash Flows**

**June 30, 2023**

<b>Cash Flows from Operating Activities:</b>	
Receipts from customers and users	\$ 20,968,864
Payments to suppliers	(4,687,186)
Payments to employees and related benefits	(9,522,560)
Net cash provided by operating activities	6,759,118
 <b>Cash Flows from Non-Capital Financing Activities:</b>	
Proceeds of pension obligation bonds	(166,000)
Net cash used in non-capital financing activities	(166,000)
 <b>Cash Flows from Capital and Related Financing Activities:</b>	
Capacity charges	641,334
Grants for capital projects	926,699
Acquisition and construction of capital assets	(5,026,196)
Principal payments on long-term debt	(3,065,000)
Interest on long-term debt	(1,731,585)
Net cash used in capital and related financing activities	(8,254,748)
 <b>Cash Flows from Investing Activities</b>	
CERBT disbursement	170,047
Investment income	340,766
Net cash provided by investing activities	510,813
Net decrease in cash and cash equivalents	(1,150,817)
Cash and cash equivalents, July 1	23,228,482
Cash and Cash equivalents, June 30	\$ 22,077,665
 <b>Reconciliation of Operating Income to Net Cash Provided</b>	
<b>by Operating Activities</b>	
Operating income (loss)	1,110,962
<i>Adjustments to reconcile operating income to net cash used</i>	
<i>in operating activities:</i>	
Depreciation expense	4,585,208
<i>(Increase) decrease in:</i>	
Accounts receivable	(428,341)
Inventory	(166,842)
Prepaid expenses	(6,004)
Other current assets	(279,181)
Deferred outflows	449,857
<i>Increase (decrease) in:</i>	
Accounts payable	84,280
Accrued salaries and benefits	(183,846)
Unearned revenue	(6,458)
Accrued compensated absences	113,387
Net Pension Liability	(1,061,064)
Net OPEB Obligation	904,662
Deferred inflows	1,642,498
Net cash provided by operating activities	\$ 6,759,118

***NOTES TO THE FINANCIAL STATEMENTS***

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 1 - NATURE OF ORGANIZATION**

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves the residents, businesses and governmental institutions including the large San Quentin State Prison in central Marin County. In the 1970's, central Marin County had four small wastewater treatment plants whose operations were not able to meet the stringent new requirements of the 1972 Clean Water Act and its amendments. Accordingly, the four local wastewater agencies, San Rafael Sanitation District, Sanitary District No. 1 of Marin County, Sanitary District No. 2 of Marin County, and the City of Larkspur entered into a joint powers agreement (JPA) in October 1979 to create a separate governmental entity, the Central Marin Sanitation Agency (CMSA), to oversee the construction and operation of a regional wastewater treatment facility. San Quentin State Prison chose not to join the JPA. The treatment facility was constructed at a cost of \$84 million and was funded by federal (75%) and state (12.5%) clean water grants and local shares (12.5%) from the four local wastewater agencies and San Quentin State Prison. The CMSA wastewater treatment facility became operational in January 1985. In 1995 Larkspur annexed into District No. 1 and subsequently formally withdrew from JPA in 2020. Sanitary District No. 1 also later renamed to the Ross Valley Sanitary District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*The Financial Reporting Entity*

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. Central Marin Sanitation Agency meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Component units are defined as legally separate organizations for which the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Agency considered all potential component units in determining what organizations should be included in the financial statements. Since no other entities are controlled by, or rely upon the Agency, the reporting entity consists solely of the Agency. Based on these criteria, there are no component units to include in the Agency's financial statements.

*Basis of Presentation*

The Agency's Basic Financial Statements are prepared in accordance with the policies and procedures for California special districts. The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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The activities of the Agency are accounted for in a single enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Measurement Focus and Basis of Accounting*

Enterprise funds are accounted for on the flow of economic resources measurement focus utilizing full accrual accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portion of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to pension, other post-employment benefits, and leases from the implementation of GASBS No. 68, No. 75, and No. 87, respectively.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

The Agency applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

*Statement of Net Position*

The statement of net position is designed to display the financial position of the Agency. The Agency's net position is classified into three categories as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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- Restricted - This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Agency applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

*Statement of Revenues, Expenses, and Changes in Net Position*

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency are charges to customers for services. Operating expenses for the Agency include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Joint Ventures*

The Agency is the locus of a joint powers agreement among its three member agencies, which provide wastewater collection and transmission to the treatment plant. Joint venture details are discussed in Note 9.

*Cash and Investments*

Cash includes amounts in demand deposits as well as short-term investments.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for deposits and investment risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components; overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Investments are reported in the statement of net position at fair value, with the exception of the CAMP pool. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Agency participates in an investment pool managed by the State of California and regulated by California government code Section 16429 known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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Investments held with LAIF are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The following is a summary of the definition of fair value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Investments held with CAMP are recorded at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Agency participates in the California Asset Management Program (CAMP) which is a voluntary investment alternative authorized by Section 53601(p) of the California Government Code. CAMP is managed by a seven-member Board of Trustees comprised of California public agency finance officials. Investments are transacted by an investment advisor and all securities are held by a third-party custodian. All securities in CAMP are purchased under the authority of Section 53601, subdivisions (a) to (n) of the California Government Code.

#### *Statement of Cash Flows*

For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

#### *Plant and Facilities Capital Assets*

Capital assets are defined by the Agency as long-lived assets acquired for use, and not intended for consumption in operations. The capitalization threshold is at \$5,000 or above.

Treatment plant and facilities purchased are stated at cost less accumulated depreciation. Assets contributed by member districts have been recorded at the fair value at the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Costs of feasibility studies are accumulated in construction-in-progress. If the study results in a capital asset addition, these costs are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Alternately, costs not resulting in a capital

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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asset addition are expensed through operating expenses. Feasibility studies, when used, are considered necessary for maintaining the efficient operations of the treatment plant.

Depreciation is computed using the straight-line method based on the estimated useful lives of related asset classifications useful life in excess of one year. Depreciation of all plant and facilities in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the capital assets.

The Agency has assigned the useful lives listed below to plant and facilities:

Wastewater Treatment Facilities:

Buildings	40 years
Other	5 – 25 years
Wastewater Disposal Facilities	40 – 50 years

General Plant & Administrative Facilities:

Buildings	40 years
Other	5 – 30 years

*Leases*

Leases – the Agency is a lessor of a parking lot which is used by Marin Airporter to park buses. In the financial statements, the lease receivable is reported as an asset, and future revenues are reported as deferred inflows.

Lease Obligations – the Agency leases a copy machine under an operating lease agreement. In the financial statements, operating leases and the related lease obligations are reported as liabilities in the Statement of Net Position.

*Long-Term Debt*

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium and discounts are reported as noncurrent assets along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

*Compensated Absences*

Compensated absences include vacation leave and sick leave. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. A liability is recognized for that portion of accumulated sick leave that has been vested.

*Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the



**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Other Post-Employment Benefits (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2022
Measurement Period	July 1, 2020 to June 30, 2022

*Accounting Estimates*

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

*Subsequent Events*

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

*Implemented New Accounting Pronouncements*

**GASB Statement No. 91, Conduit Debt Obligations** - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The implementation of this pronouncement did not have a significant impact on the Agency's financial statements.

**GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*** - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPP.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The implementation of this pronouncement did not have a significant impact on the Agency's financial statements.

**GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*** - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The implementation of this pronouncement had an impact on the Agency's financial statements (see Note 6 for more information).

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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**GASB Statement No. 99, *Omnibus 2022*** - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to leases, PPPs, and SBITAs were effective for the current fiscal year and did not have a material impact on the Agency’s financial statements.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 (fiscal 2023-24), and all reporting periods thereafter.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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*Upcoming New Accounting Pronouncements*

**GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*** - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (fiscal 2023-24), and all reporting periods thereafter. Implementation of this Statement may have a material effect on the financial statements of the Agency.

**GASB Statement No. 101, *Compensated Absences*** - This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (fiscal 2024-25), and all reporting periods thereafter. Earlier application is encouraged. The Agency does not anticipate that the Statement will have a material effect on the financial statements.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Agency's cash, cash equivalents and investments consisted of the following as of June 30, 2023:

Cash and Investments	Carrying Amount	Fair Value	Investment Rating	Maturities
<b>Business-type Activities:</b>				
Cash Deposits:				
Unrestricted cash	\$ 1,479,362	\$ 1,479,362	N/A	N/A
Restricted cash	209,251	209,251		
Petty Cash	440	440	N/A	N/A
<b>Total Cash Deposits</b>	<b>1,689,053</b>	<b>1,689,053</b>		
Investments:				
California Local Agency Investment Fund	20,299,103	19,991,135	Unrated	< 1 year
California Asset Management Program	397,477	397,477	AAAm	< 1 year
<b>Total Investments</b>	<b>20,696,580</b>	<b>20,388,612</b>		
<b>Total Cash and Investments</b>	<b>\$ 22,385,633</b>	<b>\$ 22,077,665</b>		

*Cash Deposits*

Bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). The actual bank statement balance of the Agency's cash in bank exceeded the insured limit by \$1,513,710 as of June 30, 2023. The difference between the book balance and the bank statement balance was for outstanding checks. None of the Agency's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the Agency's accounts met the collateral and categorization requirements as noted in the following paragraphs.

*Fair Value Measurements*

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The Agency has the following recurring fair value measurements as of June 30, 2023:

- California Local Agency Investment Fund (LAIF) of \$19,991,135; valued using Level 2 inputs. The LAIF fair value factor at June 30, 2023 was 0.984828499

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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*California Local Agency Investment Fund*

The Agency participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local governments such as the Agency to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

The total amount invested by all public agencies in LAIF, as of June 30, 2023, was approximately \$25.7 billion. The balance in LAIF is available for withdrawal on demand.

*California Assets Management Program*

The CAMP pool has a diverse credit risk allocation averaging a rating of AAAM, per S&P ratings. The total amount invested by all public agencies in CAMP, as of June 30, 2023 was approximately \$11.9 billion. Of that amount, 69% was invested in non-derivative financial products and 31% was invested in repurchase agreements. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) ([www.finra.org](http://www.finra.org)) and Securities Investor Protection Corporation (SIPC) ([www.sipc.org](http://www.sipc.org)). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC. The plan has elected to be measured at amortized cost for financial reporting purposes per GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The plan's net assets, portfolio holdings, are valued at amortized cost based on trade date.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

*Investment Policy*

The Agency is authorized under California Government Code and the Agency's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government or its agencies; bankers acceptances of U.S. banks; commercial paper of prime quality; negotiable certificates of deposit; repurchase or reverse repurchase agreements; and passbook savings account demand deposits. Investments prohibited by the Agency are inverse floaters, range notes, mortgage pool interest-only strips, and zero interest accrual at maturity notes. The Agency's investments were in compliance with the above provisions as of and for the year ended June 30, 2023. The Agency's investment policy follows the California Government Code which authorizes the Agency to invest in the following:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Passbook Savings Account Demand Deposits	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None

*Risk Disclosures*

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- **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 the changes in market interest rates. The Agency manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The sensitivity of the Agency's investments to interest rate risk is displayed in the summary schedule of cash and cash equivalents at the top of Note 3.
- **Credit Risk** - Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service. The Agency's minimum legal rating is not applicable to the LAIF and CAMP investment pools.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a written policy for custodial credit risk over deposits.

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 fair 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. In the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. Neither the California Government Code nor the Agency's investment policy contains legal or policy requirements that would limit the exposure to custodial risk.

- *Concentration of Credit Risk* - See the chart in investment policy for the Agency's limitations on the amount that can be invested in any one issuer. As of June 30, 2023, external investment pools were not subject to a limitation. As of June 30, 2023, 98% of the Agency's investments were in LAIF. There were no other investments in any one issuer that represent five percent or more of the total investments.

#### **NOTE 4 – SELF-INSURED DENTAL DEPOSIT**

The Agency analyzed third-party dental insurance plans and determined that it would be fiscally beneficial to self-insure. Funds have been deposited into a separate account which is used to pay employee dental expenses to dentists for authorized procedures. The funds from this deposit are drawn down monthly and replenished automatically by the trustee. At June 30, 2023, the balance in the self-insurance account was \$4,594.

#### **NOTE 5 – LEASES**

##### *Operating Leases as Lessee*

The Agency as lessee leases a copier under an operating lease with terms from January 2020 through December 2024. The original cost of the copier was \$37,980. As of June 30, 2023, the copier has a carrying amount of \$12,070, net of accumulated amortization of \$25,910.

The following is a schedule of future minimum principal and interest payments to be paid under the operating lease entered into by the Agency as lessee that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2023.

Year Ending June 30,	Total
2024	\$ 7,979
2025	4,091
Total	<u>\$ 12,070</u>

For the year ended June 30, 2023, amortization expense was \$7,596.



**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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*Operating Leases as a Lessor*

The Agency as lessor leases an unused portion of the corporation yard as a parking facility for Marin Airporter buses under an operating lease with a term of five years beginning July 2019.

The following is a schedule of the future minimum rentals to be received under the operating lease entered into by the Agency as lessor that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2023.

Year Ending June 30,	Total
2024	\$ 71,198
2025 (extension year 1)	73,248
2026 (extension year 2)	75,357
2027 (extension year 3)	77,526
2028 (extension year 4)	79,758
2029 (extension year 5)	<u>82,054</u>
Total	<u>\$ 459,141</u>

**NOTE 6 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The Agency utilizes various computer software applications in the course of normal operations. Most of the software is paid for on an annual basis and is expensed as costs are incurred. The Agency has one subscription for Microsoft with terms from January 2023 through December 2028. The original value of the subscription was \$174,227. As of June 30, 2023, the subscription has a carrying amount of \$159,708 net of accumulated amortization of \$14,519.

The following is a schedule of future minimum costs to be paid:

Year ending June 30,	Principal	Interest	Total
2024	\$ 27,641	\$ 3,590	\$ 31,231
2025	28,319	2,912	31,231
2026	29,013	2,218	31,231
2027	29,725	1,506	31,231
2028	30,453	778	31,231
2029	<u>15,505</u>	<u>110</u>	<u>15,615</u>
Total	<u>\$160,656</u>	<u>\$11,114</u>	<u>\$ 171,770</u>

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**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

**NOTE 7 - PLANT AND FACILITIES (CAPITAL ASSETS)**

The Agency's plant and facilities capital assets consisted of the following as of June 30, 2023:

Capital Assets	Balance July 1, 2022	Additions	Disposals & Adjustments	Transfers	Balance June 30, 2023
<b>Non-depreciable Plant and Facilities:</b>					
Land and land improvements	\$ 5,510,600	\$ -	\$ -	\$ -	\$ 5,510,600
Construction in progress	9,717,875	4,026,777	-	(11,786,496)	1,958,156
Total non-depreciable plant and facilities	15,228,475	4,026,777	-	(11,786,496)	7,468,756
<b>Depreciable Plant and Facilities:</b>					
Wastewater treatment facilities	134,517,696	656,554	-	11,786,496	146,960,746
Wastewater disposal facilities	13,719,650	26,462	-	-	13,746,112
General plant and administrative facilities	10,989,370	156,706	-	-	11,146,076
Right of use assets	37,979	-	-	-	37,979
Subscription-based IT arrangements	-	174,227	-	-	174,227
Total depreciable plant and facilities	159,264,695	1,013,949	-	11,786,496	172,065,140
<b>Less accumulated depreciation for:</b>					
Wastewater treatment facilities	(76,306,755)	(3,881,568)	-	-	(80,188,323)
Wastewater disposal facilities	(11,564,018)	(325,039)	-	-	(11,889,057)
General plant and administrative facilities	(6,287,523)	(353,318)	-	-	(6,640,841)
Right of use assets	(18,990)	(7,596)	-	-	(26,586)
Subscription-based IT arrangements	-	(14,519)	-	-	(14,519)
Total accumulated depreciation	(94,177,286)	(4,582,040)	-	-	(98,759,326)
Total depreciable plant and facilities - net	65,087,409	(3,568,090)	-	11,786,496	73,305,815
Total plant and facilities - net	\$ 80,315,884	\$ 458,686	\$ -	\$ -	\$ 80,774,570

Total depreciation and amortization expense for the year ended June 30, 2023 was \$4,585,208 and includes amortization of \$3,168 on debt issuance costs.

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**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

**NOTE 8 - LONG-TERM OBLIGATIONS**

The Agency's long-term obligations consisted of the following as of June 30, 2023:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
2015 Refunding Revenue Bonds	\$ 32,995,000	-	\$ 2,685,000	\$ 30,310,000	\$ 2,785,000
2015 Refunding Revenue Bonds					
Discounts and premiums, net	2,846,354	-	348,533	2,497,821	-
2020 Revenue Bonds	8,740,000	-	380,000	8,360,000	390,000
2020 Revenue Bonds					
Discounts and premiums, net	132,638	-	7,290	125,348	-
2022 Pension Obligation Bonds	9,432,000	-	166,000	9,266,000	130,000
Net Pension Liability	8,012,588	-	1,061,064	6,951,524	-
Net OPEB Liability	665,322	904,662	-	1,569,984	-
Compensated Absences	892,879	185,667	72,280	1,006,266	106,503
Total Long-term Obligations	<u>\$ 63,716,781</u>	<u>\$ 1,089,329</u>	<u>\$ 4,720,167</u>	<u>\$ 60,086,943</u>	<u>\$ 3,411,503</u>

On March 26, 2015, the Agency issued \$49,310,000 in Series 2015 Refunding Revenue Bonds at a premium of \$5,344,174 with an interest rate ranging from 2.5 to 5.0 percent. The Bonds were used to refund the Series 2006 Revenue Bonds whose proceeds were used to finance improvements to the wastewater treatment and disposal system of the Central Marin Sanitation Agency, consisting primarily of improvements to the Agency's Treatment Plant to increase capacity for wet weather flows, to pay costs of issuance of the Bonds and for certain other capital projects to provide treatment capacity, replace capital assets at end of service life and to make other capital improvements as approved by the Board of Commissioners. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1.

The Agency's 2015 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2023:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,785,000	\$ 1,157,381	\$ 3,942,381
2025	2,930,000	1,014,506	3,944,506
2026	3,075,000	864,381	3,939,381
2027	3,250,000	738,756	3,988,756
2028	3,340,000	606,506	3,946,506
2029 – 2032	<u>14,930,000</u>	<u>968,471</u>	<u>15,898,471</u>
Total Debt Service	<u>\$ 30,310,000</u>	<u>\$ 5,350,001</u>	<u>\$ 35,660,001</u>

On November 3, 2020, the Agency issued \$9,115,000 in Series 2020 Revenue Bonds at a premium of \$215,574 and discount of \$70,982 with an interest rate ranging from 2.0 to 2.25 percent. The Bonds were used primarily for improvements to the Agency's Treatment Plant and for certain other capital projects to provide treatment capacity, replace capital assets at end of service life and to make other capital improvements as approved by the Board of Commissioners. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The bonds are callable at par anytime on or after September 1 2030.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

The Agency's 2020 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2023:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 390,000	\$ 168,625	\$ 556,325
2025	395,000	160,775	555,775
2026	405,000	152,775	557,775
2027	415,000	144,575	559,575
2028	420,000	136,225	556,225
2029 – 2033	2,240,000	549,825	2,789,825
2034 – 2038	2,475,000	313,106	2,788,106
2039 – 2041	<u>1,620,000</u>	<u>55,125</u>	<u>1,675,125</u>
Total Debt Service	<u>\$ 8,360,000</u>	<u>\$ 1,681,031</u>	<u>\$ 10,041,031</u>

On April 1, 2022, the Agency issued \$9,432,000 in private placement Series 2022 taxable Pension Obligation Bonds with an interest rate of 3.36%. The Bonds were used solely for reducing the Agency's unfunded actuarial accrued pension liability (UAAL) by paying off a significant portion of the balance. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1. The bonds are callable at par anytime on or after September 1 2030.

The Agency's 2022 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2023:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 130,000	\$ 309,154	\$ 438,154
2025	248,000	302,803	550,803
2026	632,000	288,019	920,019
2027	653,000	266,431	919,431
2028	676,000	244,104	920,104
2029 – 2033	3,741,000	857,892	4,598,892
2034 – 2038	<u>3,186,000</u>	<u>213,394</u>	<u>3,399,394</u>
Total Debt Service	<u>\$ 9,266,000</u>	<u>\$ 2,481,797</u>	<u>\$ 11,747,797</u>

#### **NOTE 9 - JOINT VENTURES**

The Agency serves as a regional wastewater treatment plant for its three member agencies and San Quentin State Prison (SQ) and is governed by a five-member Board of Commissioners, two appointed by the governing board of Ross Valley Sanitary District (RVSD), two appointed by the governing board of San Rafael Sanitation District (SRSD), and one appointed by the governing board of Sanitary District No. 2 (SD 2). Total project costs for the joint venture were funded from federal (75%) and state (12.5%) clean water grants and from local shares (12.5% total) allocated among the member agencies and SQ based upon the weighted average of the strength and volume of sewage flows applicable at inception of the project. Final individual local shares of total project costs were approximately \$6.3 million for SD 1, \$7.6 million for RVSD, \$1.6 million for SD 2, \$1 million for Larkspur who later withdrew from the JPA in 2020 and \$1.4 million for SQ.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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CMSA derives its annual funding for its operations and equipment repair and replacement programs almost exclusively from service charges to its member agencies and SQ. Beginning in fiscal year 2006-07, funding for CMSA's capital program also includes proceeds from the sale of revenue bonds which were exhausted in fiscal year 2014-15. The joint powers agreement makes no provisions for an equity interest for any of the joint venture participants' operations and stipulates that all excess capital funds and all excess administration, operations and maintenance funds, from whatever source, are the property of the Agency. Complete separate financial statements of the member agencies may be obtained by contacting their administrative offices directly.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The Agency had \$3,717,437 in construction-related contractual commitments as of June 30, 2023.

Contingencies of an undeterminable amount include normal recurring pending claims and litigation. Agency management is of the opinion that the resolution of these matters will not result in a material liability to the Agency. No provision has been made for a contingent liability that meets the criteria for accrual set forth in current government accounting standards.

**NOTE 11 - RISK MANAGEMENT**

The Agency is exposed to risks of loss from property, liability, and workers' compensation. The Agency mitigates risk by participating in risk sharing and insurance purchasing pools through membership in the California Sanitation Risk Management Authority (CSRMA). The Pooled Liability Program provides its members such as the Agency with third-party liability coverage specifically designed to meet the exposures faced by the wastewater industry. Members are provided with coverage for General Liability, Automobile Liability, Employment Practices Liability and Public Entity Errors and Omissions Liability. Deductibles for these coverages range from \$0 to \$500,000.

The cost to each CSRMA member agency for program participation is determined by the Executive Board upon the basis of cost allocation plan and rating formula. The deposit for each participating agency includes the agency's share of expected losses, program insurance costs, and program administrative costs for the year, plus the agency's share of Authority general expense allocated to the program by the Board. Insurance purchasing pools provided property insurance, excess coverage to \$15,500,000 on general liability, and excess coverage to \$1,000,000 for workers' compensation.

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2022 (most recent information available):

	June 30, 2022
Total Assets	\$ 32,261,331
Total Liabilities	25,220,675
Total Equity	7,040,656
Total Revenues	17,745,882
Total Expenses	17,127,478

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 12 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plans*

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<b>Miscellaneous</b>	
	Tier 1	PEPRA
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.70%	2.00%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	14.03%	7.47%

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023 contributions of \$1,153,036 were recognized as part of pension expense.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2023, the Agency reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 6,951,524

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous
Proportion – June 30, 2021	0.1482%
Proportion – June 30, 2022	0.0602%
Change in Proportions	-0.0880%

For the year ended June 30, 2023, the Agency recognized actuarial pension expense of \$2,835,764. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,153,036	\$ -
Changes in assumptions	1,225,131	-
Differences between expected and actual experiences	80,181	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	5,966,868	(6,050,786)
Net differences between projected and actual earnings on plan investments	2,200,166	-
Total	\$ 10,625,382	\$ (6,050,786)

Of the \$10,625,382 reported as deferred outflows of resources on the Statement of Net Position, \$1,153,036 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending:	Deferred Outflows/(Inflows) of Resources
2024	\$ 917,720
2025	758,478
2026	405,882
2027	1,339,480

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022
Actuarial Assumptions:	
Investment rate of return	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table	Developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.
Post-retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

**Discount Rate** - The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability.

**Long-term Expected Rate of Return** – In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.



**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

Asset class	Assumed asset allocation	Real Return Years 1 – 10 <sup>a,b</sup>
Global equity – cap-weighted	30.00 %	4.45 %
Global equity – non-cap-weighted	12.00	3.84
Private equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real assets	15.00	3.21
Liquidity	(5.00)	(0.59)
Total	<u>100.00 %</u>	

(a) An expected inflation of 2.30% was used for this period.

(b) Figures and are based on the 2021-22 Asset Liability Management study

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -**

The following presents the Agency's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

Discount Rate – 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
\$ 14,422,657	\$ 6,951,524	\$ 804,636

**Pension Plan Fiduciary Net Position** - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

The Agency's defined benefit postemployment healthcare plan provides a post-retirement health care benefit to eligible retirees in accordance with a Memorandum of Understanding (M.O.U.) for union represented employees and Board approval for unrepresented management, supervisory, and confidential employees. For both employee groups, eligible employees retiring at or after age 50 with a minimum of 5 years CalPERS service credit may opt to continue health care coverage, with a portion of the monthly premium paid for by the Agency. Coverage may discontinue at the request of the retiree. The amount of the Agency's contribution towards retiree's medical benefit is based on the date of hire as an employee.

The Agency contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer defined benefit plan) and to provide an investment vehicle, the California Employees' Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. The Agency chooses from a menu of benefit provisions and adopts certain benefit provisions by Board resolution. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. By participating in CERBT, the Agency is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues an Annual Comprehensive Financial Report for the retirement plans. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

*Employees Covered*

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	47
Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>82</u>

*Contributions*

The Agency's plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Agency and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year June 30, 2023, the Agency's cash contributions were \$0 to the CERBT trust and the implied subsidy, which includes payments of retiree medical premiums, reimbursements to retirees and other non-cash subsidies, was \$170,046 resulting in total payments of \$170,046.

*Net OPEB Liability*

The Agency's Net OPEB Liability was measured on June 30, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2022 that was rolled back to June 30, 2021, and forward to June 30, 2022 to determine the total OPEB liability, based on the following actuarial methods and assumptions:

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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Actuarial Assumptions:	
Discount Rate	7.28%
Inflation	2.75% per year
Salary Increases	3.0% per annum, in aggregate
Investment rate of Return	7.28%
Mortality	Mortality rates are taken from the 2021 CalPERS valuation, projected to future years with the ultimate rates of projection scale MP-2021. In the 2019 valuation, mortality was taken from the 2017 CalPERS valuation.
Pre-retirement turnover <sup>(1)</sup>	Derived using CalPERS' membership data for all funds.
Healthcare trend rate	Increase 5.50% per year.

## Notes:

- (1) Likelihood of termination within the next year is taken from the 2021 CalPERS valuation. In the 2019 valuation, turnover rates were taken from the 2017 CalPERS valuation.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Range</u>	<u>Benchmark</u>
Global equity	49%	± 5%	MSCI AII Country World Index IMI (net)
Fixed income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts	20%	± 5%	FTSE EPRA/NAREIT Developed Index (net)
Commodities	3%	± 3%	S&P GCSI Total Return Index
Cash	-	+ 2%	91 Day Treasury Bill
Total	<u>100%</u>		

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.28 percent. The cash flows of the OPEB plan were projected to future years, assuming that CMSA 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, 7.28%.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

*Changes in the OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Obligation (Asset) = (a) – (b)
Balance at June 30, 2022 (Valuation date June 30, 2021)	\$ 4,350,193	\$ 3,684,871	\$ 665,322
Changes recognized for the measurement period ended June 30, 2022			
Service cost	149,062	-	149,062
Interest	309,061	-	309,061
Differences between actual and expected experience	-	-	-
Assumption changes	-	-	-
Employer contributions	-	209,712	(209,712)
Net investment income	-	(655,328)	655,328
Benefit payments to retirees	(209,712)	(209,712)	-
Administrative expense	-	(923)	923
Net changes	248,411	(656,251)	904,662
Balance at June 30, 2023 (Valuation date June 30, 2021)	\$ 4,598,604	\$ 3,028,620	\$ 1,569,984

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

The following presents the Net OPEB Liability of the Agency if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2022:

	1% Decrease (6.28%)	Current Discount Rate (7.28%)	1% Increase (8.28%)
Net OPEB Liability	\$ 2,170,207	\$ 1,569,984	\$ 1,075,479

*Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates*

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease (4.5%)	Current Trend Rate (5.5%)	1% Increase (6.5%)
Net OPEB Liability	\$ 1,023,920	\$ 1,569,984	\$ 2,233,780

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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*OPEB Plan Fiduciary Net Position*

CERBT issues a publicly available financial report that may be obtained from CalPERS, Prefunding Programs, CERBT (OPEB), P.O. Box 1494, Sacramento, CA 95812-1494.

*Recognition of Deferred Outflows and Deferred Inflows of Resources*

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB*

For the year ended June 30, 2023, the Agency recognized OPEB expense of \$173,717. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 170,046	\$ -
Difference between expected and actual experience	-	(635,612)
Changes of assumptions	29,932	(11,543)
Net differences between projected and actual earnings on plan investments	783,154	(348,682)
Total	<u>\$ 983,132</u>	<u>\$ 995,837</u>

The \$170,046 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

**CENTRAL MARIN SANITATION AGENCY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2023**

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as OPEB expense as follows:

Fiscal Year Ending:	Deferred Outflows/(inflows) of Resources
2024	\$ (13,931)
2025	(18,119)
2026	(38,179)
2027	78,045
2028	(106,668)
Thereafter	(83,899)

***REQUIRED SUPPLEMENTARY INFORMATION***





**CENTRAL MARIN SANITATION AGENCY**  
**Required Supplementary Information**  
**June 30, 2023**

**Schedule of Proportionate Share of Net Pension Liability**  
**Last 10 Years\***

	Fiscal Year End June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	
Proportion of net pension liability	0.06020%	0.14820%	0.12020%	0.11806%	0.25323%	0.26795%	0.27951%	0.24216%	0.24376%	
Proportionate share of the net pension liability	\$ 6,951,524	\$ 8,012,588	\$ 13,081,536	\$ 12,098,199	\$ 11,101,158	\$ 11,275,371	\$ 9,709,971	\$ 6,643,602	\$ 6,024,473	
Covered payroll	\$ 5,739,125	\$ 5,732,377	\$ 5,884,152	\$ 4,985,715	\$ 4,765,978	\$ 4,560,237	\$ 4,764,021	\$ 4,418,991	\$ 4,099,618	
Proportionate share of the net pension liability as a percentage of covered payroll	121.13%	139.78%	222.32%	242.66%	232.93%	247.25%	203.82%	150.34%	146.95%	
Plan's fiduciary net position	\$ 47,855,111	\$ 42,968,401	\$ 36,433,627	\$ 34,639,289	\$ 33,230,349	\$ 32,353,864	\$ 29,830,921	\$ -	\$ -	
Plan's fiduciary net position as a percentage of the Plan's total pension liability	87.32%	84.28%	73.58%	74.11%	74.96%	74.16%	75.44%	82.12%	83.21%	

**Schedule of Agency's Pension Plan Contributions**  
**Last 10 Years\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions (actuarially determined)	\$ 1,153,036	\$ 1,411,818	\$ 1,491,450	\$ 1,306,245	\$ 1,133,396	\$ 967,659	\$ 957,403	\$ 950,859	\$ 927,135
Contributions in relation to actuarially determined contributions	(1,153,036)	(10,823,471)	(1,491,450)	(1,306,245)	(1,133,396)	(967,659)	(957,403)	(950,859)	(927,135)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (9,411,653)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,739,125	\$ 5,732,377	\$ 5,884,152	\$ 5,167,910	\$ 4,985,715	\$ 4,765,978	\$ 4,560,237	\$ 4,764,021	\$ 4,418,991
Contributions as a percentage of covered payroll	20.09%	188.81%	25.35%	25.28%	22.73%	20.30%	20.99%	19.96%	20.98%

\* Fiscal year ending June 30, 2015, was the first year of implementation, therefore only nine years are shown. Additional years will be added until ten years' information is shown.

**CENTRAL MARIN SANITATION AGENCY**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**for the Measurement Periods Ended June 30**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 149,062	\$ 126,292	\$ 122,614	\$ 118,130	\$ 114,689	\$ 111,349
Interest on the OPEB liability	309,061	322,355	306,773	326,176	309,421	293,164
Differences between actual and expected experience	-	(462,302)	-	(485,040)	-	-
Changes of assumptions	-	41,906	-	(18,331)	-	-
Benefits paid to retirees	(209,712)	(212,019)	(218,693)	(196,215)	(191,714)	(170,667)
<b>Net change in total OPEB liability</b>	<u>248,411</u>	<u>(183,768)</u>	<u>210,694</u>	<u>(255,280)</u>	<u>232,396</u>	<u>233,846</u>
<b>Total OPEB Liability - beginning</b>	<u>4,350,193</u>	<u>4,533,961</u>	<u>4,323,267</u>	<u>4,578,547</u>	<u>4,346,151</u>	<u>4,112,305</u>
<b>Total OPEB Liability - ending</b>	<b>(a) <u>\$ 4,598,604</u></b>	<b><u>\$ 4,350,193</u></b>	<b><u>\$ 4,533,961</u></b>	<b><u>\$ 4,323,267</u></b>	<b><u>\$ 4,578,547</u></b>	<b><u>\$ 4,346,151</u></b>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 209,712	\$ 255,027	\$ 261,693	\$ 239,297	\$ 299,028	\$ 287,122
Net investment income	(655,328)	788,875	97,301	161,815	177,929	207,513
Benefits paid to retirees	(209,712)	(212,019)	(218,693)	(196,215)	(191,714)	(170,667)
Administrative expense	(923)	(1,087)	(1,336)	(543)	(1,214)	(1,006)
<b>Net change in plan fiduciary position</b>	<u>(656,251)</u>	<u>830,796</u>	<u>138,965</u>	<u>204,354</u>	<u>284,029</u>	<u>322,962</u>
<b>Plan fiduciary net position- beginning</b>	<u>3,684,871</u>	<u>2,854,075</u>	<u>2,715,110</u>	<u>2,510,756</u>	<u>2,226,727</u>	<u>1,903,765</u>
<b>Plan fiduciary net position- ending</b>	<b>(b) <u>\$ 3,028,620</u></b>	<b><u>\$ 3,684,871</u></b>	<b><u>\$ 2,854,075</u></b>	<b><u>\$ 2,715,110</u></b>	<b><u>\$ 2,510,756</u></b>	<b><u>\$ 2,226,727</u></b>
<b>Net OPEB liability- ending</b>	<b>(a) - (b) <u>\$ 1,569,984</u></b>	<b><u>\$ 665,322</u></b>	<b><u>\$ 1,679,886</u></b>	<b><u>\$ 1,608,157</u></b>	<b><u>\$ 2,067,791</u></b>	<b><u>\$ 2,119,424</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability	65.86%	84.71%	62.95%	62.80%	54.84%	51.23%
Covered payroll	\$ 5,732,372	\$ 5,704,245	\$ 5,884,152	\$ 4,995,712	\$ 5,259,257	\$ 4,716,585
Net OPEB liability as a percentage of covered payroll	27.39%	11.66%	28.55%	32.19%	39.32%	44.94%

**Notes to Schedule:**

Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available

The term Covered-employee payroll is used because there are employees receiving benefits not based on wages.

<b>CENTRAL MARIN SANITATION AGENCY</b>						
<b>Schedule of OPEB Contributions</b>						
<b>Last Ten Fiscal Years*</b>						
Fiscal Year Ended June 30,	2023	2022	2021	2020	2019	2018
Actuarially determined contributions (ADC)	\$ 209,712	\$ 261,693	\$ 255,027	\$ 202,704	\$ 246,298	\$ 292,033
Contributions in relation to the ADC	(209,712)	(261,693)	(255,027)	(202,704)	(246,298)	(292,033)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 5,732,372	\$ 5,704,245	\$ 5,884,152	\$ 4,995,712	\$ 5,259,527	\$ 4,716,585
Contributions as a percentage of covered-employee payroll	3.66%	4.59%	4.33%	4.06%	4.68%	6.19%

**Notes to Schedule:**

\*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2023 were selected by the Agency after consultation with the actuary.

**Method and assumptions used to determine contribution:**

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll
Inflation	2.75%
Long-term investment rate of return	7.28%
Discount rate	7.28% per annum
Healthcare cost-trend rates	5.5% per annum
Payroll growth	3.0% per annum
Coverage elections	100% of eligible employees assumed to elect coverage upon retirement, remaining covered for life. Employees with no current medical assumed to elect employee-only medical upon retirement.
Mortality	Mortality rates are taken from the 2021 CalPERS valuation, projected to future years with the ultimate rates of projection scale MP-2021. In the 2019 valuation, mortality was taken from the 2017 CalPERS valuation.
Retirement rates	Taken from the 2021 CalPERS OPEB Assumptions Model for <i>Public Agency Miscellaneous</i> with a 2.7% at 55 retirement plan. In the 2019 valuation, rates were taken from the 2017 CalPERS valuation for “public agency miscellaneous 2.7% at 55”.
Turnover (withdrawal)	Likelihood of termination within the next year is taken from the 2021 CalPERS valuation. In the 2019 valuation, turnover rates were taken from the 2017 CalPERS valuation.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Central Marin Sanitation Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Marin Sanitation Agency, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Central Marin Sanitation Agency's basic financial statements, and have issued our report thereon dated November 1, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Marin Sanitation Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Marin Sanitation Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Marin Sanitation Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Marin Sanitation Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cropper Accountancy Corporation*

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

November 2, 2023

**STATISTICAL SECTION**

## STATISTICAL SECTION

### Overview

This part of the Agency's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Schedules 1-7: Financial Trends</b>	
These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being has changed over time.	
Schedule 1 Statement of Net Position	113
Schedule 2 Statement of Revenues, Expenses and Changes in Net Position	114
Schedule 3 Operating Revenue by Source	115
Schedule 4 Operating Expenses by Function	116
Schedule 5 Non-Operating Revenues and Expenses	117
Schedule 6 Capital Contributions	118
Schedule 7 Capital Additions	119
<b>Schedules 8-10: Revenue and Equivalent Dwelling Units</b>	
These schedules contain information to help the reader assess the Agency's most significant local revenue sources.	
Schedule 8 Major Revenue Rates and Base	120
Schedule 9 Annual Flows into CMSA in Million Gallons and Pounds - Volume and Strength of Wastewater Treated	121
Schedule 10 Member Agencies and San Quentin Prison Actual Reported Equivalent Dwelling Units (EDUs)	122
<b>Schedules 11-13: Debt Capacity, Revenue Coverage, Right-of Use Leases and Subscription-Based IT Arrangements (SBITA)</b>	
These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt, the Agency's ability to issue additional debt in the future, and information on lease obligations, and site lessor future rental arrangements.	
Schedule 11 Long-Term Debt Outstanding - Pension Obligation and Revenue Bonds	123
Schedule 12 Pledged Revenue Coverage	124
Schedule 13 Right-of-Use Leases and Subscription-Based IT Arrangements (SBITA)	125
<b>Schedule 14-15: Demographic and Economic Information</b>	
These schedules provide demographic and economic indicators to help the reader understand the local environment within which the Agency's financial activities take place.	
Schedule 14 Demographic and Economic Statistics	126
Schedule 15 Ten Largest Employers Statistic	127
<b>Schedule 16-17: Operational Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the core business activities it performs.	
Schedule 16 Authorized Staffing by Department Function	128
Schedule 17 Wastewater Treated and Permit Limit	129





**Central Marin Sanitation Agency  
Statement of Net Position**

**Schedule 1**

**Fiscal Year Ending June 30**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net Investment in Capital Assets	\$ 40,645,174	\$ 38,327,344	\$ 39,642,802	\$ 37,713,682	\$ 36,596,279	\$ 36,596,025	\$ 36,400,782	\$ 36,022,116	\$ 38,085,361	\$ 36,352,645
Restricted for Pension Trust	207,961	19,357	-	-	-	-	-	-	-	-
Unrestricted	10,249,248	10,946,715	7,101,708	6,428,472	7,048,782	5,623,608	6,218,578	7,438,757	7,259,794	14,201,829
Total Net Position	<u>\$ 51,102,383</u>	<u>\$ 49,293,416</u>	<u>\$ 46,744,510</u>	<u>\$ 44,142,154</u>	<u>\$ 43,645,061</u>	<u>\$ 42,219,633</u>	<u>\$ 42,619,360</u>	<u>\$ 43,460,873</u>	<u>\$ 45,345,155</u>	<u>\$ 50,554,474</u>

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency**  
**Statement of Revenues, Expenses and Changes in Net Position**

**Schedule 2**

Fiscal Year Ended June 30	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-operating Revenues (Expenses)	Capital	Change in Net Position	Beginning Net Position	Prior Period Adjustment	Ending Net Position
					Contributions - Capacity Charges				
2023	\$ 21,403,663	\$ (20,292,701)	\$ 1,110,962	\$ 56,671	\$ 641,334	\$ 1,808,967	\$ 49,293,416	\$ -	\$ 51,102,383
2022	20,865,949	(17,850,520)	3,015,429	(1,636,992)	1,171,130	2,549,567	46,744,510	(661) (1)	49,293,416
2021	19,851,438	(17,387,846)	2,463,592	(1,453,869)	1,592,633	2,602,356	43,049,409	1,092,745 (2)	46,744,510
2020	18,802,873	(17,825,011)	977,862	(2,084,679)	511,165	(595,652)	43,645,061		43,049,409
2019	17,901,670	(16,553,636)	1,348,034	(594,375)	671,769	1,425,428	42,219,633		43,645,061
2018	17,353,966	(16,351,993)	1,001,973	(1,223,633)	197,753	(23,907)	42,619,360	(375,820) (3)	42,219,633
2017	17,235,271	(16,793,252)	442,019	(1,613,611)	330,079	(841,513)	43,460,873	-	42,619,360
2016	16,495,058	(15,257,981)	1,237,077	(1,119,479)	162,705	280,303	45,345,155	(2,164,585) (4)	43,460,873
2015	17,000,940	(13,419,393)	3,581,547	(1,928,681)	415,845	2,068,711	50,554,474	(7,278,030) (5)	45,345,155
2014	16,333,444	(15,847,769)	485,675	(2,450,002)	588,251	(1,376,076)	51,930,550	-	50,554,474

- (1) The Agency implemented GASB Statement No. 87 to report lease liabilities and to improve financial accounting for leases. This resulted in a prior period adjustment for FY21 which decreased beginning net position. See Note #2 GASB Statement No. 87, Leases.
- (2) The Agency prepared and recorded a prior period adjustment to partially restore the depreciated value of the 2005 cogeneration system replacement project. In 2019 the engine failed and was replaced, but the 2005 entire project value was depreciated.
- (3) The Agency restated beginning net position. There was a net decrease in net position as a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) and a correction of depreciation on fixed assets. The decrease was offset with an increased value of inventory resulting from a full retroactive inventory count and cost analysis.
- (4) During the FY17 audit, prior period adjustments were recorded which affected the FY16 financial statements. No reissuance of the FY16 audited financial statements was deemed necessary, however the adjustments have been reflected in this schedule for accurate comparison data and analysis.
- (5) The Agency implemented GASB No. 68 Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (Issued 06/12), as of July 1, 2014 which resulted in a prior period adjustment that reduced the beginning net position.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Operating Revenue by Source**

**Schedule 3**

Fiscal Year Ended June 30	Service Charges	Contract Maintenance Revenue	Other Operating Revenue	Total Operating Revenues
2023	\$ 18,819,541	\$ 1,856,889	\$ 727,233	\$ 21,403,663
2022	18,183,132	2,126,787	556,030	20,865,949
2021	17,578,817	1,670,204	602,417	19,851,438
2020	16,974,164	1,401,010	427,699	18,802,873
2019	16,400,143	1,067,515	434,012	17,901,670
2018	15,845,548	1,114,680	393,738	17,353,966
2017	15,355,475	1,442,550	437,246	17,235,271
2016	14,471,578	1,546,239	477,241	16,495,058
2015	15,215,367	1,352,202	433,371	17,000,940
2014	14,722,581	1,226,428	384,435	16,333,444

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Operating Expenses by Function**

**Schedule 4**

Fiscal Year Ended June 30	Operations							Depreciation & Amoritzation	Total Operating Expenses
	Salaries & Benefits	Supplies and Services	Repairs & Maintenance	Permit Testing & Monitoring	Insurance	Utilities & Telephone	General & Administrative		
2023	\$ 11,105,246	\$ 2,098,928	\$ 650,455	\$ 204,105	\$ 410,435	\$ 446,020	\$ 792,304	\$ 4,585,208	\$ 20,292,701
2022	8,619,869	1,510,280	1,344,474	198,248	445,916	591,547	840,867	4,299,319	17,850,520
2021	9,679,736	1,364,543	654,095	176,249	380,764	263,560	647,269	4,221,630	17,387,846
2020	9,925,545	1,638,012	588,963	178,099	134,522	495,207	736,513	4,128,150	17,825,011
2019	8,486,703	1,436,895	1,034,818	144,968	111,545	454,082	774,050	4,110,575	16,553,636
2018	8,877,307	1,366,871	886,312	149,815	95,517	311,191	669,900	3,995,080	16,351,993
2017	9,079,369	1,496,774	947,285	110,973	97,095	318,900	697,499	4,045,357	16,793,252
2016	7,411,654	1,408,893	1,373,609	121,094	101,447	346,701	595,639	3,902,112	15,261,149
2015	6,343,530	1,341,798	1,035,053	130,687	97,622	429,324	550,139	3,491,240	9,928,153
2014	8,585,875	1,340,334	1,175,412	110,372	97,325	471,656	504,139	3,562,656	12,285,113

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Non-Operating Revenues and Expenses**

**Schedule 5**

Fiscal Year Ended June 30	Interest & Investment Income	Interest Expense	Other Non-operating Revenues	Other Non-operating Expenses	Total Non-operating Revenues (Expenses)
2023	\$ 478,298	\$ (1,547,611)	\$ 1,125,984		56,671
2022	(197,571)	(1,640,548)	201,127		(1,636,992)
2021	98,988	(1,661,789)	108,932		(1,453,869)
2020	352,481	(1,386,336)	-	(1,050,824)	(2,084,679)
2019	410,653	(1,457,861)	452,833	-	(594,375)
2018	218,516	(1,527,361)	85,212	-	(1,223,633)
2017	113,085	(1,752,699)	26,067	(64)	(1,613,611)
2016	376,752	(1,758,318)	80,717	518	(1,300,331)
2015	41,950	(2,108,649)	830,223	(692,205)	(1,928,681)
2014	40,744	(2,536,490)	47,496	(1,752)	(2,450,002)

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Capital Contributions**

**Schedule 6**

<u>Fiscal Year Ended June 30</u>	<u>Capacity Charges</u>
2023	\$ 641,334
2022	1,171,130
2021	1,592,633
2020	511,165
2019	671,769
2018	197,753
2017	330,079
2016	162,705
2015	415,845
2014	588,251

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Capital Additions**

**Schedule 7**

Fiscal Year Ended June 30	Capital Additions
2023	\$ 5,040,726
2022	6,770,091
2021	4,682,942
2020	3,314,983
2019	2,185,309
2018	2,043,192
2017	2,730,175
2016	4,372,405
2015	2,244,858
2014	2,180,163

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Major Revenue Rates and Base**

**Schedule 8 (1)**

Fiscal Year Ended June 30	Regional Service Charges	Regional Service Fee Revenue	Debt Service Charge per EDU	Total Debt Service Charges	Total Regional Service Charges & Debt Charges Per EDU	EDUs Reported by JPA Members (1)	EDUs Assigned SQSP	Total Equivalent Dwelling Units (EDUs) (1)	EDUs Assigned JPA Members for Debt Service	EDUs SQSP Debt Service	Total Debt Service (EDUs)
2023	\$ 278.59	\$ 13,167,002	\$ 108.61	\$ 5,652,539	\$ 387.20	47,263	4,005	51,268	48,039	4,005	52,044
2022	267.10	12,527,030	108.68	5,656,102	375.78	46,900	4,005	50,905	48,039	4,005	52,044
2021	261.79	12,631,001	95.07	4,947,816	356.86	48,248	4,005	52,253	48,039	4,005	52,044
2020	249.78	12,015,001	95.29	4,959,163	345.06	48,103	4,005	52,108	48,039	4,005	52,044
2019	236.82	11,433,635	95.43	4,966,508	332.25	48,279	4,005	52,284	48,039	4,005	52,044
2018	226.56	10,893,165	95.16	4,952,383	321.72	48,081	4,005	52,086	48,039	4,005	52,044
2017	217.82	10,395,358	94.74	4,960,117	312.56	47,724	4,005	51,729		4,005	51,729
2016	204.71	9,897,549	87.10	4,574,029	291.81	48,350	4,005	52,355		4,005	52,355
2015	193.78	9,399,740	111.49	5,815,627	305.27	48,507	4,005	52,512		4,005	52,512
2014	184.86	8,901,932	111.69	5,820,649	296.55	48,156	4,005	52,161		4,005	52,161

This schedule reflects Regional Service Charges, Debt Service Charges, and applicable EDUs, respectively used in connection with the calculation of a cost per EDU. The cost per EDU is generally used for information purposes or with certain other charges within the Agency's Fee Ordinance. Regional service charges are billed to members based upon volume and strength of wastewater flow. Effective since FY18, debt service charges have been billed to members based upon fixed EDU counts assigned to each member to smooth fluctuations in debt service allocation.

Note (1):  
EDU counts are provided annually to CMSA by the JPA member agencies. An EDU generally is one household. In the case of multiple dwellings, the number of EDUs is based upon units. Commercial EDU is based upon winter time water use. Industrial EDU is based on volume and strength of the wastewater flow. Included in this total is 4,005 EDU assigned to SQSP for the debt service allocation. Actual and assigned EDU counts are reflected on this schedule. See also Schedule 10.

Source: Annual Agency Budgets



**Central Marin Sanitation Agency**  
**Annual Flows into CMSA in Million Gallons and Pounds**  
**Volume and Strength of Wastewater Treated**

**Schedule 9**

The wastewater flow (volume) and strength (BOD & TSS) for each JPA member agency and SQSP is used to determine its allocation of the CMSA regional service charge. Additional information about how the initial service charge at the beginning of the fiscal year is calculated can be found in the Agency's FY22 & FY23 Budget available on [www.cmsa.us/finance](http://www.cmsa.us/finance). Reported below is actual data for the 12 month reporting period April 1 to March 31st.

<b>A. Total Volume of Wastewater Flow into CMSA in million gallons</b>					
<b>12-Month Period</b>	<b>SRSD</b>	<b>RVSD</b>	<b>SD #2</b>	<b>SQSP</b>	<b>Influent Flow</b>
April 1, 2022 to March 31, 2023	1,790.60	2,162.60	489.60	234.60	4,677.40
April 1, 2021 to March 31, 2022	1,528.75	1,823.97	380.60	191.71	3,925.03
April 1, 2020 to March 31, 2021	1,334.37	1,592.48	344.64	180.54	3,452.03
April 1, 2019 to March 31, 2020	1,480.12	1,923.57	400.86	174.72	3,979.27
April 1, 2018 to March 31, 2019	1,807.98	2,301.31	438.86	192.18	4,740.33
April 1, 2017 to March 31, 2018	1,411.51	1,888.58	382.15	166.12	3,848.36
April 1, 2016 to March 31, 2017	1,844.03	2,597.79	472.68	136.90	5,051.40
April 1, 2015 to March 31, 2016	1,435.31	1,912.90	422.01	129.48	3,899.70
April 1, 2014 to March 31, 2015	1,521.91	1,953.05	424.90	143.97	4,043.83
April 1, 2013 to March 31, 2014	1,387.11	1,737.97	397.52	158.51	3,681.11
<b>B. Total Mass of Biological Oxygen Demand (BOD in pounds)</b>					
<b>12-Month Period</b>	<b>SRSD</b>	<b>RVSD</b>	<b>SD #2</b>	<b>SQSP</b>	<b>Influent BOD</b>
April 1, 2022 to March 31, 2023	4,129,275	5,481,327	864,776	371,692	10,847,070
April 1, 2021 to March 31, 2022	3,917,515	4,363,453	696,542	414,336	9,391,846
April 1, 2020 to March 31, 2021	4,905,691	4,639,850	483,868	360,164	10,389,573
April 1, 2019 to March 31, 2020	4,698,037	4,903,805	525,205	381,608	10,508,655
April 1, 2018 to March 31, 2019	4,743,449	4,438,157	599,208	376,680	10,157,494
April 1, 2017 to March 31, 2018	3,605,713	4,281,207	585,582	404,146	8,876,648
April 1, 2016 to March 31, 2017	4,293,860	4,450,865	674,224	355,347	9,774,296
April 1, 2015 to March 31, 2016	3,892,566	4,358,760	592,658	306,804	9,150,788
April 1, 2014 to March 31, 2015	4,451,240	5,101,508	447,649	509,759	10,510,156
April 1, 2013 to March 31, 2014	4,716,353	3,522,352	694,504	1,121,446	10,054,655
<b>C. Total Mass of Total Suspended Solids (TSS) in pounds</b>					
<b>12-Month Period</b>	<b>SRSD</b>	<b>RVSD</b>	<b>SD #2</b>	<b>SQSP</b>	<b>Influent TSS</b>
April 1, 2022 to March 31, 2023	4,798,016	7,166,745	858,085	377,075	13,199,921
April 1, 2021 to March 31, 2022	4,544,402	4,592,978	726,137	446,304	10,309,821
April 1, 2020 to March 31, 2021	7,138,092	5,581,641	585,643	422,700	13,728,076
April 1, 2019 to March 31, 2020	5,844,502	5,813,416	631,754	515,623	12,805,295
April 1, 2018 to March 31, 2019	6,114,054	4,991,101	862,434	514,072	12,481,661
April 1, 2017 to March 31, 2018	4,660,290	5,612,940	799,015	487,062	11,559,307
April 1, 2016 to March 31, 2017	5,543,868	5,629,170	905,498	457,495	12,536,031
April 1, 2015 to March 31, 2016	5,569,476	6,827,531	934,372	398,325	13,729,704
April 1, 2014 to March 31, 2015	7,812,006	8,343,902	699,225	1,503,385	18,358,518
April 1, 2013 to March 31, 2014	7,573,120	5,341,885	1,361,000	1,320,534	15,596,539

**Notes:**

Laboratory analysis of the data above is performed to allocate treatment costs by members into its components of flow, biological oxygen demand, and total suspended solids.

**Central Marin Sanitation Agency  
Member Agencies and San Quentin Prison  
Actual Reported Equivalent Dwelling Units (EDUs)**

**Schedule 10**

Fiscal Year Ended June 30	Ross Valley Sanitary District	City of Larkspur (1)	Sanitary District #2	San Rafael Sanitation District	Subtotal JPA Member EDU Counts	San Quentin State Prison	Total EDUs	EDU Change from Prior Year
2023	22,114	-	5,815	19,334	47,263	4,005	51,268	363
2022	22,098	-	5,680	19,122	46,900	4,005	50,905	(1,348)
2021	22,422	-	6,152	19,674	48,248	4,005	52,253	146
2020	22,248	-	6,245	19,609	48,102	4,005	52,107	(177)
2019	19,345	3,066	6,152	19,716	48,279	4,005	52,284	198
2018	19,448	3,060	6,008	19,565	48,081	4,005	52,086	357
2017	19,298	3,039	6,055	19,332	47,724	4,005	51,729	(626)
2016	19,700	3,019	6,076	19,555	48,350	4,005	52,355	(157)
2015	19,666	2,982	6,216	19,643	48,507	4,005	52,512	351
2014	19,498	2,949	6,006	19,703	48,156	4,005	52,161	50

The actual EDU count presented for informational purposes in this schedule also is used to establish Waste Hauler Charges and Industrial Monitoring Fees as set forth in CMSA Ordinance No. 2023-1 (see <http://www.cmsa.us/documents/ordinances>). The assigned EDU presented in Schedule 8 is the basis of revenue allocation when determining debt service charge revenue which is the funding source to repay debt service.

Note (1): Larkspur withdrew from the JPA in January 2020, ending the need to show the City's individual EDU count, which is now included in the RVSD count.

Source: Annual Agency Budgets

**Central Marin Sanitation Agency  
Long-Term Debt Outstanding  
Pension Obligation and Revenue Bonds**

**Schedule 11**

Fiscal Year Ended June 30	2022 Pension Obligation Bonds (1)	2020 Revenue Bonds	2015 Revenue Bonds	2006 Revenue Bonds	Total Outstanding Debt	Total Debt Per EDU (2)	Total Debt Per Capita (3)
2023	\$ 9,266,000	\$ 8,485,348	\$ 32,807,821	\$ -	\$ 50,559,169	\$ 971	\$ 481
2022	9,432,000	8,872,638	35,841,354	-	54,145,992	1,040	516
2021		9,254,928	38,769,887	-	48,024,815	923	461
2020			41,588,420	-	41,588,420	799	398
2019			44,331,953	-	44,331,953	852	424
2018			47,010,486	-	47,010,486	903	450
2017			49,609,019	-	49,609,019	959	475
2016			51,935,424	-	51,935,424	992	497
2015			54,325,451	-	54,325,451	1,035	520
2014				58,435,509	58,435,509	1,120	559

Notes:

- (1) Pension Obligation Bonds are not subject to pledged revenue coverage
- (2) EDU counts for debt service purposes are described on Schedule 8
- (3) Debt per capita is based upon US Census Bureau QuickFacts April 2020 census data and an increased population at San Quentin State Prison. Both used to estimate the population within the CMSA service area at 105,040.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Pledged Revenue Coverage**

**Schedule 12**

Fiscal Year Ended June 30	Sewer Service Charges	Less Operating Expenses	Net Revenues Available (1)	2020 Revenue Bonds	2015 Revenue Bonds	2006 Revenue Bonds	Total Annual Debt Service	Debt Service Coverage (2)
2023	\$ 23,649,279	\$ 14,054,348	\$ 9,594,931	\$ 546,501	\$ 3,767,861		\$ 4,314,362	2.22
2022	22,040,635	14,416,241	7,624,394	549,083	3,769,562		4,318,645	1.77
2021	21,651,991	12,475,520	9,176,471	369,762	3,762,027		4,131,789	2.22
2020	18,615,695	10,916,950	7,698,745		3,781,336		3,781,336	2.04
2019	19,436,925	11,567,182	7,869,743		3,787,861		3,787,861	2.08
2018	17,855,447	11,355,010	6,500,437		3,777,361		3,777,361	1.72
2017	17,704,438	11,424,190	6,280,248		3,947,699		3,947,699	1.59
2016	16,753,516	11,359,037	5,394,479		3,672,466		3,672,466	1.47
2015	17,596,753	9,928,153	7,668,600			\$ 4,243,649	4,243,649	1.81
2014	17,008,183	10,731,313	6,276,870			4,576,490	4,576,490	1.37
2013	16,723,456	10,076,619	6,646,837			4,657,688	4,657,688	1.43

Notes:

- (1): Net revenues available is computed on revenues from all sources less operating expenses not including depreciation and amortization.
- (2): The Agency supports pension obligation bonds as shown in Schedule 11 that are not subject to pledged revenue coverage requirements as are revenue bonds reflected above.

Source: Central Marin Sanitation Agency Audited Financial Statements

**Central Marin Sanitation Agency  
Right-of-Use Leases and Subscription-Based IT Arrangements (SBITA)**

**Schedule 13**

Fiscal Year Ended June 30	Copiers		Op Rental Lease	Subscriptions (SBITA)	
	RU Asset Bal - Net	RU Lease Bal @	Lessor Bal @	RU Asset Bal - Net	RU Lease Bal @
2023	\$ 11,393	\$ 12,070	\$ 459,141	\$ 159,708	\$ 160,656
2022	18,989	19,786	138,410	-	-

Source: Central Marin Sanitation Agency Audited Financial Statements Note 5 and Note 6  
Note: 10 Years data will be shown as it becomes available

**Central Marin Sanitation Agency  
Demographic and Economic Statistics**

**Schedule 14**

Fiscal Year Ended June 30	Marin County Population (1)	Marin County Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Marin County Averaged Unemployment Rate (1)
2023	N/A	N/A	N/A	2.7%
2022	N/A	N/A	N/A	3.0%
2021	258,385	\$ 42,704,366	\$ 164,118	5.8%
2020	261,227	38,852,617	148,419	4.4%
2019	263,917	36,799,402	139,891	2.4%
2018	264,944	34,307,678	130,128	2.5%
2017	264,753	31,888,715	121,207	3.1%
2016	265,181	30,540,371	115,941	3.3%
2015	263,964	29,461,836	111,923	3.8%
2014	258,324	27,406,790	104,516	4.6%
2013	255,778	25,242,258	97,151	5.6%
2012	254,882	24,675,688	96,002	6.9%

Source: (1) State of California Employment Development Department Labor Market Inform and United States Zip Codes.org websites:

[www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)      [www.unitedstateszipcodes.org](http://www.unitedstateszipcodes.org)

(2) US Department of Commerce Bureau of Economic Analysis (BEA) website:

[www.bea.gov/iTable](http://www.bea.gov/iTable)

**Central Marin Sanitation Agency  
Ten of the Largest Employers Statistic**

**Schedule 15**

Total Marin County Employment:		127,400		128,900		122,600		117,000		134,700	
Ten of the Largest Employers in the CMSA		Number of	Percentage of	Number of	Percentage of	Number of	Percentage of	Number of	Percentage of	Number of	Percentage of
Service Area	Type of Entity	Employees	Total Marin County	Employees	Total Marin County	Employees	Total Marin County	Employees	Total Marin County	Employees	Total Marin County
		FY23	Employment (1)	FY22	Employment (1)	FY21	Employment (1)	FY20	Employment	FY19	Employment
BioMarin (2)	Biotech	1,700	1.33%	1,700	1.32%	1,700	1.39%	1,700	1.45%	1,700	1.26%
MarinHealth Medical Center	Hospital	1,650	1.30%	1,650	1.28%	1,650	1.35%	1,650	1.41%	1,650	1.22%
San Quentin State Prison	State Government	1,531	1.20%	1,547	1.20%	1,764	1.44%	1,614	1.38%	1,836	1.36%
Dominican University	University	1,033	0.81%	1,033	0.80%	1,117	0.91%	1,200	1.03%	1,200	0.89%
Golden Gate Transit	Transit District	845	0.66%	845	0.66%	840	0.69%	828	0.71%	828	0.61%
College of Marin	College District	512	0.40%	512	0.40%	529	0.43%	529	0.45%	360	0.27%
Restoration Hardware (2)	Home Furnishings	500	0.39%	500	0.39%	500	0.41%	500	0.43%	500	0.37%
City of San Rafael	Government	420	0.33%	420	0.33%	405	0.33%	405	0.35%	410	0.30%
San Rafael City Schools	School District	404	0.32%	404	0.31%	362	0.30%	362	0.31%	362	0.27%
Tamalpais Union High School District (TUHSD) (3)	School District	368	0.29%	368	0.29%	402	0.33%	409	0.35%	409	0.30%
Kentfield Rehabilitation & Hospital	Hospital										
Marin Municipal Water District (MMWD)	Water District										

Total Marin County Employment:		135,800		135,800		135,000		133,900		132,400	
Ten of the Largest Employers in the CMSA		Number of	Percentage of	Number of	Percentage of	Number of	Percentage of	Number of	Percentage of	Number of	Percentage of
Service Area	Type of Entity	Employees	Total Marin County	Employees	Total Marin County	Employees	Total Marin County	Employees	Total Marin County	Employees	Total Marin County
		FY18	Employment	FY17	Employment	FY16	Employment	FY15	Employment	FY14	Employment
BioMarin (added FY17)	Biotech	1,700	1.33%	1,700	1.25%						
Marin General Hospital	Hospital	1,650	1.30%	1,650	1.22%	1,650	1.22%	1,650	1.23%	1,650	1.25%
San Quentin State Prison	State Government	1,600	1.26%	1,662	1.22%	1,832	1.36%	1,832	1.37%	1,832	1.38%
Dominican University	University	1,000	0.78%	1,000	0.74%	1,000	0.74%	1,000	0.75%	745	0.56%
Golden Gate Transit	Transit District	820	0.64%	810	0.60%	775	0.57%	775	0.58%	775	0.59%
College of Marin	College District	360	0.28%	507	0.37%	332	0.25%	328	0.24%	354	0.27%
Restoration Hardware (added FY17)	Home Furnishings	500	0.39%	500	0.37%						
City of San Rafael	Government	404	0.32%	401	0.30%	390	0.29%	390	0.29%	383	0.29%
San Rafael City Schools	School District			355	0.26%	355	0.26%	355	0.27%	355	0.27%
Tamalpais Union High School District	School District	355	0.28%		0.00%	332	0.25%	310	0.23%	353	0.27%
Kentfield Rehabilitation & Hospital	Hospital	345	0.27%	345	0.25%	344	0.25%	344	0.26%	344	0.26%
Marin Municipal Water District (MMWD)	Water District					246	0.18%	246	0.18%	244	0.18%

- (1) Total Marin County employment for June 2023 was 127,400. The data source is from [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) Labor Force and Unemployment Interactive Map for June 2023. Employment statistics by cities within Marin County are not available.
- (2) BioMarin and Restoration Hardware were identified as two of the top 10 employers in CMSA's service area in FY17 replacing MMWD and TUHSD. MMWD's employee headcounts for FY14 through FY16 remain on the 10 year schedule.
- (3) In FY19 the TUHSD website reported the district employed 535 of which 409 are employed in the CMSA service area making the district once again one of the larger employers in Central Marin.

## Central Marin Sanitation Agency Authorized Staffing by Department

### Schedule 16

Authorized Staffing by Department	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14
Administration (3) (6)	6	6	6	7	7	7	7	6	6	6
Maintenance (1) (5) (6)	17.5	17.5	17.5	17	14	14	14	14	13	14
Operations (6)	13.5	13.5	13.5	13	13	13	13	13	13	13
Technical Services (3) (4)	9	9	9	9	9	8	8			
Environmental Services (3)	-	-	-	-	-	-	-	5	5	5
Engineering (2) (3)	-	-	-	-	-	-	-	4	3	3
Safety Program (7)	1	1	1	1	1	1	1	1	1	1
Agency Total	<u>47</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>44</u>	<u>43</u>	<u>43</u>	<u>43</u>	<u>41</u>	<u>42</u>

Notes:

- (1) FY16 Addition of one Utility Worker.
- (2) FY16 Addition of one new Associate Engineer position.
- (3) The Board approved a department reorganization plan at the November 10, 2016 meeting. Three Engineering and four Environmental Services positions were reorganized into Technical Services. One IT Analyst position was transferred into Administration.
- (4) FY19 Addition of one new Laboratory Analyst position.
- (5) FY20 addition three Institutional Utility Laborers.
- (6) FY21 Treatment Plant Manager moved from Administration and is allocated 0.5 FTE to Maintenance and 0.5 FTE to Operations.
- (7) The Safety Program is a shared services position with CMSA Safety Department 0.6 FTE share and one local wastewater agency whose share is 0.4 FTE.

Source: Central Marin Sanitation Agency records



**Central Marin Sanitation Agency  
Wastewater and Biosolids Treated**

**Schedule 17**

Treatment Plant	Millions of Gallons per Day									
	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14
Average Dry Weather Flow (ADWF) Permitted Capacity Limit (1)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
ADWF (2)	8.3	7.5	8.3	8.5	8.5	7.0	8.2	4.6	4.7	5.6
Average Wastewater Treated per day	13.3	10.8	9.2	10.5	13.3	9.3	12.9	7.8	7.0	7.9

	Wet Tons per Year									
	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14
Biosolids Treated	5,863	4,579	4,194	5,982	6,512	6,517	6,500	6,231	5,882	5,450

Note (1): ADWF limit is set forth in CMSA's NPDES Permit.

Note (2): ADWF is based on the average of the 3 lowest months of daily average influent flow (July, August, September).

Source: Central Marin Sanitation Agency records



**CENTRAL MARIN SANITATION AGENCY**

**Agency Information**

**June 30, 2023**

**1301 Andersen Drive  
San Rafael, CA 94901  
415 459-1455**

Authority	Joint Powers Agreement
Date of formation	October 1979
Governing body	Board of Commissioners appointed by member agencies:
	Ross Valley Sanitary District                      2 appointees
	Sanitary District No. 2 of Marin County        1 appointee
	San Rafael Sanitation District                    2 appointees
Chief Executive Officer	General Manager, Jason Dow
Chief Fiscal Officer	Administrative Services Manager, Kenneth Spray
Type of service	Wastewater treatment and disposal
Number of Authorized Positions	47

Member Agency Contact Information:

Retirement Plans Contact Information:

Ross Valley Sanitary District  
2960 Kerner Blvd  
San Rafael, CA 94901  
(415) 259-2949

California Public Employee's Retirement System  
Lincoln Plaza North  
400 Q Street  
Sacramento, CA 95814  
(888) 225-7377

Sanitary District No. 2 of Marin County  
300 Tamalpais Drive  
P.O. Box 159  
Corte Madera, CA 94976-0159  
(415) 927-5057

San Rafael Sanitation District  
111 Morphew Street  
San Rafael, CA 94915-1560  
(415) 454-4001

Source: Central Marin Sanitation Agency

## **Appendix A**

### **Agency's Mission, Vision, and Values**



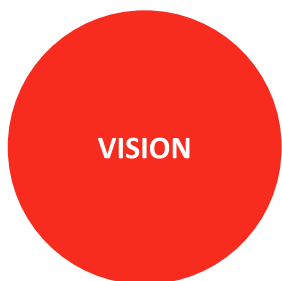
## Agency’s Mission, Vision, and Values



### MISSION

#### WHAT THE AGENCY DOES

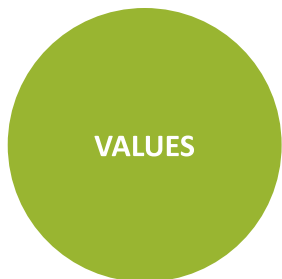
Central Marin Sanitation Agency protects the environment and public health and is integral to the community by providing wastewater, environmental, and resource recovery services.



### VISION

#### WHERE THE AGENCY WANTS TO BE IN THE FUTURE

Central Marin Sanitation Agency will be a forward-thinking organization by providing innovative and effective wastewater services, capturing and utilizing renewable resources, and implementing sustainable solutions for an enhanced quality of life.



### VALUES

#### KEY STATEMENTS THAT DESCRIBE THE IDEALS OF THE AGENCY

CMSA values...

- Continuous regulatory compliance to protect the environment.
- Sound financial practices.
- Effective asset management.
- A safe and healthy workplace.
- Creating job satisfaction within a diverse workforce.
- Engaging public outreach and educational programs.
- Leadership, partnerships, teamwork, and collaboration.

## **Appendix B**

### **Key Terms and Financial Glossary with Acronym Listing**

## Key Terms and Financial Glossary with Acronym Listing

- **ASSETS:** Anything of material and economic value or usefulness owned by the entity.
- **BOND PREMIUM:** A bond that is priced higher than its stated face (par) value.
- **CAPITAL ASSETS:** Includes Agency land, treatment plant, facilities, buildings, and equipment net of depreciation.
- **CAPITAL EXPENDITURE:** An expenditure of \$5,000 or more that is used to newly purchase a capital asset with a useful life of five years or more or an investment that improves the useful life of an existing asset.
- **CAPITAL IMPROVEMENT PROGRAM (CIP):** A plan that describes and explains the Agency’s maintenance and capital projects over ten fiscal years. The CIP is a planning document that provides the Agency with an opportunity to evaluate and assess its equipment, infrastructure, and asset management needs from financial, engineering, operational, and planning perspectives.
- **CONTRACT SERVICE REVENUES:** Services provided by the Agency under contract to other local agencies for pump station and collection system maintenance and pollution prevention source control programs.
- **CURRENT AND OTHER ASSETS:** Assets that can easily be converted to cash or consumed within one year. Includes cash, investments, receivables, prepaid expenses, deposits with others (example: OPEB asset).
- **CURRENT LIABILITIES:** Payment obligations owed by the Agency within the next 12 months.
- **DEPRECIATION:** A current year non-cash expense that reduces the value of an asset because of wear and tear, age, or obsolescence. Accumulated depreciation is the total amount expensed since the asset was placed in service.
- **ENTERPRISE FUND:** A government accounting fund that provides goods or services to the public for a fee that makes the entity self-supporting.
- **EQUIVALENT DWELLING UNIT (EDU):** An EDU is one single-family residence.
- **FLOW(S):** The total incoming wastewater flow(s) to CMSA from the satellite collection agencies, measured in millions of gallons and collected for the previous April 1 to March 31, are used to calculate the CMSA sewer service charge.
- **HAULERS, PERMITS & INSPECTION REVENUE:** Fees and charges for use of Agency septage receiving facility; permit fees to discharge commercial and industrial waste; reimbursement of Agency labor and administrative costs for performing inspections and other services.
- **JOINT POWERS AUTHORITY (JPA):** An agreement between two or more local government agencies to form a separate governmental entity distinct from the member governments and authorizing the powers the JPA is allowed to exercise.
- **LIABILITIES:** What the Agency owes others.
- **NET INVESTMENTS IN CAPITAL ASSETS:** Represents amounts invested in capital assets less accumulated depreciation and any outstanding debt used to acquire the assets.
- **NON-CURRENT LIABILITIES:** Payment obligations owed by the Agency more than 12 months in the future.
- **OTHER NON-OPERATING REVENUE:** Includes CSRMA dividends, CalCARD prompt payment incentive rebates, settlement claims, the occasional sale of assets, SDI disability reimbursements, grants, and other miscellaneous revenue sources.
- **PENSION OBLIGATION BONDS:** Taxable bonds that state and local governments issue as part of an overall strategy to fund the unfunded accrued liability associated with their pension obligations. These bonds are not subject to debt service coverage requirements as with revenue bonds.

- **PROGRAM REVENUES:** The Agency is the lead coordinator for the Health and Safety Director and Countywide Education Programs. Costs incurred by CMSA are allocated to the districts that participate in the programs. The Agency invoices participating Districts quarterly for Safety Director and Countywide Education expenditures in accordance with agreements with program participants.
- **RESTRICTED CASH:** Cash and investments that can only be used for legally specific purposes.
- **REVENUE BOND:** Debt obligation for which interest and principal payments are secured by the debt service portion of service charge revenues generated for the treatment plant project being financed.
- **RIGHT-OF-USE (ROU):** An asset that represents a lessee’s privilege to use a leased item over the duration of an agreed-upon lease term. The lessee is granted the authority to obtain the economic benefit from the usage of an asset owned by another entity (reference GASB Statement No. 87).
- **SERVICE CHARGE (SC):** A fee for wastewater operating services and payment of revenue bond debt service.
- **SEWER SERVICE CHARGE (SSC):** A fee for wastewater services and payment of the revenue bond debt service. The SSC is typically the fee collected by JPA members and the term is used inter-changeably with the service charge.
- **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA):** A contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction (reference GASB Statement No. 96).
- **TOTAL NET POSITION:** Equity associated with general government assets and liabilities. The difference between total assets and total liabilities.
- **UNRESTRICTED CASH:** Cash and investments available to use for operations and not tied to a specific obligation.
- **UNRESTRICTED (NET POSITION):** The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### **ACRONYM LISTING**

ACFR	Annual Comprehensive Financial Report
ADC	Alternate Daily Cover
ADWF	Average Dry Weather Flow
AM	Asset Management
ASPC	Agency Strategic Planning Committee
ATC	Authority to Construct
BACC	Bay Area Chemical Consortium
BACWA	Bay Area Clean Water Agencies
BAPPG	Bay Area Pollution Prevention Group
BAAQMD	Bay Area Air Quality Management District
BOD	Biochemical Oxygen Demand
CalOES	California Office of Energy Services
CalPERS	California Public Employees Retirement System
CAMP	California Asset Management Program (see Interest Income)
CASA	California Association of Sanitation Agencies



CCT	Chlorine Contact Tank
CDCR	California Department of Corrections
CEC	California Energy Commission and also Constituents of Emerging Concern
CERBT	California Employers' Retirement Benefit Trust
CIP	Capital Improvement Program
CMMS	Computerized Maintenance Management System
CMSA	Central Marin Sanitation Agency
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CWEA	California Water Environment Association
DPR	Direct Potable Reuse
E.D.I.S.	Employer Driven Insurance Services (third party-administrator for self-insured dental benefits)
EDU	Equivalent Dwelling Unit
ELAP	Environmental Laboratory Accreditation Program
EMMC	Employer Paid Member Contribution
F2E	Food-to-Energy
FOG	Fats, Oils and Grease program (see Contract Service Revenues)
FSE	Food Service Establishment(s)
F/M	Food to Microorganism
FTE	Full Time Equivalent (a position converted to decimal equivalent of a full time position)
FY	Fiscal Year
G&A	General & Administrative
GAAP	Generally Accepted Accounting Principles
GASB	Government Accounting Standards Board
GHG	Greenhouse Gas
IA	Interconnection Agreement
IC	Ion Chromatography
IPR	Indirect Potable Reuse
JPA	Joint Powers of Agreement
LARK	City of Larkspur, JPA Member
LBNL	Lawrence Berkeley National Laboratories
LED	Light-emitting Diodes
LEL	Lower Explosive Limits
LGVSD	Las Gallinas Sanitary District (see Contract Service Revenues)
MCE	Marin Clean Energy
MDV	Motor Diaphragm Valves
MSS	Marin Sanitary Service
NACWA	National Association of Clean Water Agencies
NBWA	North Bay Watershed Association
NPDES	National Pollutant Discharge Elimination System
NSD	Novato Sanitary District (see Contract Service Revenues)
OES	Office of Emergency Services (California)
OPEB	Other Post-Employment Benefits
PAFR	Popular Annual Financial Report
PD/EE	Power Delivery/Energy Efficiency Committee
PCA	Pretreatment Compliance Audit
PCB	Polychlorinated Biphenyls
PEPRA	Public Employees' Pension Reform Act
POB	Pension Obligation Bond
PPA	Power Purchase Agreement
RAS	Return Activated Sludge

RFP	Request for Proposal
ROU	Right-of-Use
RMP	Regional Monitoring Program (for toxic pollutants and trace substances)
RWB	Regional Water Board
RVSD	Ross Valley Sanitary District, JPA Member
SBITA	Subscription-Based Information Technology Arrangements
SP	Strategic Plan
SC	Service Charge
SCADA	Supervisory Control and Data Acquisition (a monitoring and control software system)
SD2	Sanitary District No. 2, JPA Member
SDI	State Disability Insurance
SDS	Safety Data Sheets
SQSP	San Quentin State Prison (see Contract Service Revenues)
SRSD	San Rafael Sanitation District, JPA Member
SSC	Sewer Service Charge
SUO	Sewer Use Ordinance
SWRCB	State Water Resources Control Board
SP	Strategic Plan
TCSD	Tamalpais Community Services District (see Contract Service Revenues)
ToC	Table of Contents
TSS	Total Suspended Solids
UAAL	Unfunded Actuarial Accrued Liability
USA	Underground Service Alert
VFA	Volatile Fatty Acid
WAS	Waste Activated Sludge