



CENTRAL MARIN
SANITATION AGENCY

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JULY 1, 2021—JUNE 30, 2022



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POPULAR ANNUAL FINANCIAL REPORT FY 21-22



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EDITORS: Ken Spray, Administrative Services Manager
Heidi Lang, Senior Accountant
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December 8, 2022

Dear Reader,

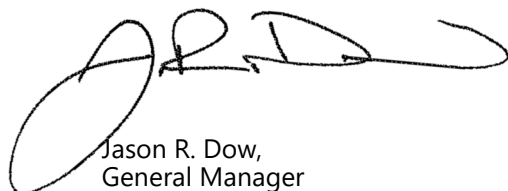
Central Marin Sanitation Agency (CMSA) is pleased to present its **Popular Annual Financial Report** (PAFR) for the fiscal year ended June 30, 2022 (FY22). The PAFR is published to provide readers with easy-to-understand facts about the CMSA organization, as well as its finances, wastewater services, and other useful material. The financial information within this report is taken in large part from the Agency's audited financial statements and provides an overview of the Agency's financial activities and position.

Unlike the Agency's **Annual Comprehensive Financial Report** (ACFR), the condensed financial data presented in the PAFR does not contain all disclosures necessary to be compliant with generally accepted accounting principles (GAAP). The report is, however, for the most part consistent with and generally presented in conformity with GAAP. Information that may be of importance to the reader, such as the *Condensed Statement of Net Position*, the *Statement of Revenues & Expenses and Changes in Net Position*, as well as *Capital Assets*, are presented in a summarized format, and provide a broad overview of the Agency's overall finances.

Readers of this document who are interested in learning more about the specific operational, financial, and program details can refer to the Agency's FY22 ACFR with Audited Financial Statements. They are available online at www.cmsa.us/finance/documents/, by visiting us at 1301 Andersen Drive, San Rafael, California, or by contacting us at (415) 459-1455.

We hope the PAFR will give a broad understanding of the organization's valuable services provided to the public, as well as our efforts to safeguard the environment. Feel free to visit our website to learn more about CMSA. We welcome your comments, feedback, and suggestions for improving future publications.

Respectfully submitted,



Jason R. Dow,
General Manager

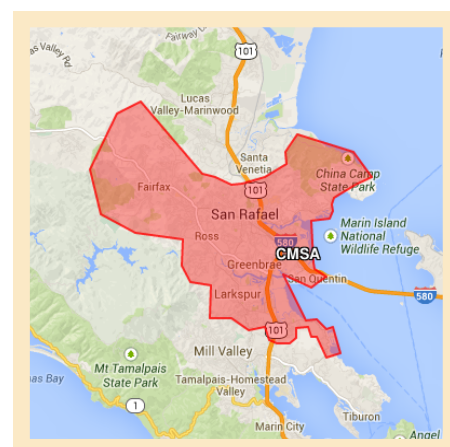


Ken Spray,
Administrative Services Manager

OUR MISSION

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

OUR SERVICE AREA



GOLD AWARD 2021



LOCAL ECONOMY AND STATISTICS



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 average per capita income of **\$145,575** per household. The population growth rate and per capita household income in the CMSA service area mirrors that of the county.

THE POPULATION OF CITIES, TOWNS, AND SAN QUENTIN STATE PRISON IN THE CMSA SERVICE AREA IS 105,040

City of San Rafael (Represents approximately two-thirds of the City's population)	39,002
City of Larkspur	12,928
Town of San Anselmo	12,693
Town of Corte Madera	10,141
Unincorporated Areas (<i>San Quentin Village,</i>	7,935
Town of Fairfax	7,521
Kentfield	6,808
San Quentin State Prison	3,273
Sleepy Hollow	2,401
Town of Ross	2,338

The local housing market continued to improve during FY22. The annual mean/median sale price for a home in Marin, as reported by the Marin County Assessor Office for the year ending June 30, 2022, was **\$1.97M/\$1.58M**.

Seven of the top ten employers in CMSA's service area, as measured by the number of employees, are public entities.

Marin's 3% average unemployment rate is among the lowest rate in California and remained below national levels (4.2%) at the end of FY22.

CMSA's single largest customer is San Quentin State Prison (SQSP).



TEN LARGEST EMPLOYERS AND NUMBER OF EMPLOYEES IN THE CMSA SERVICE AREA

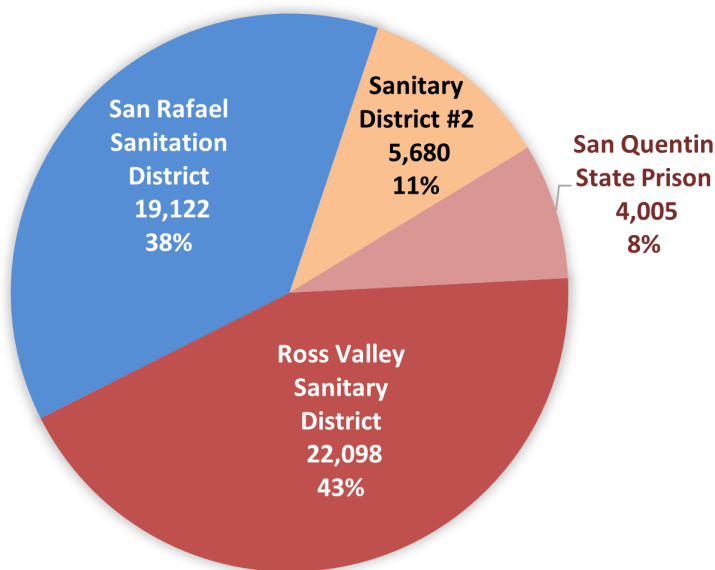
San Quentin State Prison	1,810
BioMarin	1,700
MarinHealth Medical Center	1,650
Dominican University	1,033
Golden Gate Transit	845
College of Marin	512
Restoration Hardware	500
City of San Rafael	420
San Rafael City Schools	404
Tamalpais Union High School District	368

WHAT CMSA DOES

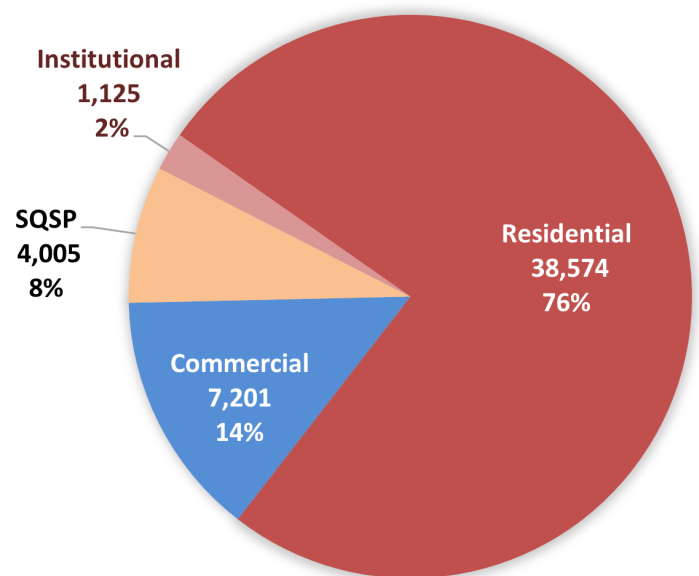
CMSA provides wastewater services to protect public health and the environment. The treated wastewater discharged into the central San Francisco Bay consistently meets and exceeds all federal, state, and regional regulatory requirements. In line with its core mission are responsibilities related to:

- Implementing federal pre-treatment, and state and regional pollution prevention programs.
- Administering a comprehensive safety program for CMSA and Novato Sanitary District (NSD).
- Producing renewable power and recycled water.
- Providing wastewater collection system maintenance, source control, and other related services under contract to local agencies.

EDUs SERVED IN FY22



EDU TOTALS BY CONNECTION TYPE



What are EDUs?

An Equivalent Dwelling Unit, or EDU, refers to a unit of wastewater discharge. It is the estimated volume and strength generated by a single-family residence.

The Agency provides

services to 50,905 Equivalent Dwelling Units with an approximate service area population of 105,040.

WASTEWATER AND BIOSOLIDS TREATED IN FY22

Volume of total wastewater treated	3.944 billion gallons
Average dry weather influent flow (July-Sept 2021)	7.5 million gallons/day
Average wastewater treated	10.8 million gallons/day
Total biosolids reuse	5,524 wet tons
Landfill Alternative Daily Cover	1,838 wet tons
Land-Applied Fertilizer/Soil Amendment	1,610 wet tons
Liquid Bio-Fertilizer	2,076 wet tons

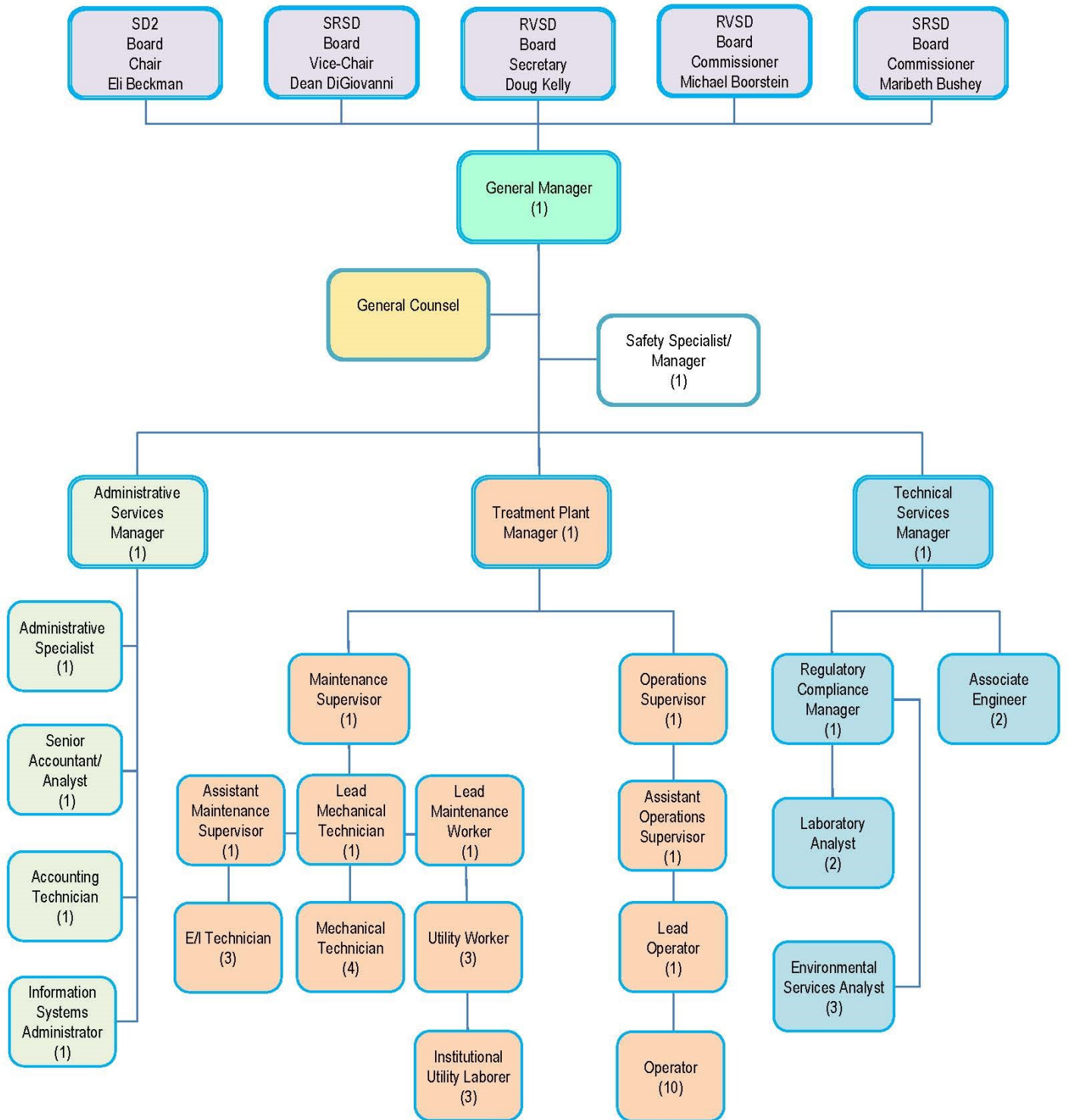
HISTORY

Faced with wastewater treatment challenges unique to central Marin County and the necessity to comply with the 1972 Federal Clean Water Act, Ross Valley Sanitary District (RVSD), Sanitary District No. 2 (SD2) of Marin County, the City of Larkspur, and the San Rafael Sanitation District (SRSD) united in 1979 to form a joint powers agency (JPA) that created a separate government entity, the Central Marin Sanitation Agency. The CMSA wastewater treatment facility began service in May 1985. In late 2018, the Larkspur City Council decided to withdraw from the JPA, in part because its wastewater operations were annexed into the RVSD in 1993. In 2020, a withdrawal agreement and a revised JPA to reflect Larkspur's withdrawal and the reduced number of CMSA Commissioners, were approved.

The Agency's five-member Board of Commissioners are appointed by the governing bodies of each JPA member. SRSD and RVSD each have two representatives, while SD2 has one. The Board sets policy, adopts the biannual budgets for CMSA, and appoints the General Manager and Treasurer who serve at the pleasure of the Board. The General Manager is the chief executive officer and the Treasurer is responsible for all financial operations.



ORGANIZATIONAL CHART



47 Full Time Equivalent Employees (FTE)
June 30, 2022

MAJOR ACCOMPLISHMENTS & INITIATIVES

PLANNING FOR THE FUTURE

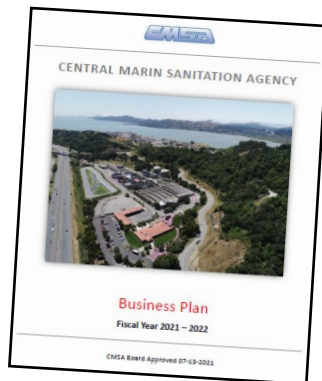
Agency Strategic Plan

The Agency's Strategic Plan (SP) for the fiscal years ending June 30, 2022 to 2026 was adopted by the Board in July 2021. 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.

Highlights of the FY22 plan include:

- Maintain the high performance of the treatment facility's operational processes.
- Use financial system Project Accounting for capital and maintenance projects.
- Prepare transparent financial documents.
- Increase the Agency's energy efficiency through implementation of the power monitoring program.
- Evaluate Sentry System to understand whether it provides an early warning for digester upsets.
- Initiate a tertiary recycled water study.
- Educate employees on Agency benefits.
- Promote a culture of leadership and professional growth to attract and develop qualified and skilled employees.



The current SP and its annual business plans may be found at www.cmsa.us/documents/administrative.

Succession Planning

CMSA conducts succession planning each year to ensure that the Agency can fulfill its mission and core values, stated in its SP, with the appropriate staff resources. 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 about their retirement plans.

CMSA's workforce characteristics as of the end of FY22 are as follows:

- 47 authorized positions
- Average age is 42.2 years
- Average length of service is 7.23 years
- 13 employees with over 10 years of service
- 20.5% of current employees meet the requirements for retirement from CalPERS

The Agency successfully completed recruitments for six new employees during FY22 that were hired to fill vacancies in various classifications including an Operator in Training, an Operator I, an Electrical/Instrument Technician, an Industrial Utility Laborer, a Utility Worker, and a Maintenance Supervisor.

SAFETY INCENTIVE PROGRAM

This Program is designed to enhance employee safety through active employee participation. Points are awarded 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.

Data for FY22 shows continued participation in tailgate training and formal safety communications. Initially under this program, the Agency averaged one tailgate session every two months, and included nominal employee participation. In FY22, CMSA employees led a total of 68 tailgates, which is an increase over the total held in FY21 (54). Twenty-eight valid safety hazard observations were submitted and addressed during this period.

MAJOR ACCOMPLISHMENTS & INITIATIVES

EDUCATING THE PUBLIC

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 storm drain systems.

Fats, Oils, & Grease (FOG) TV Ads

The program partnered 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 FY22, these ads ran on Comcast twice. In the first ad campaign, the ads were delivered 62,533 times within premium channel content, and the target audience spent over 393 hours viewing them. During the second ad campaign, a new ad, "Call us First", was added that addressed what to do when someone sees a sewer spill, what it looks like, and what Agencies to call for Sanitary Sewer Overflows. For this second ad campaign, the ads were delivered 86,290 times on premium channels, and the target audience spent over 562 hours viewing them.



Events to Raise Awareness

Due to COVID-19, many Marin County public education and outreach events were not held over the past fiscal year, including the Marin County Fair, Earth Day at Marin Academy, Fairfax EcoFest, Senior Information Fair, and local farmers markets around the county for Earth Day and Pollution Prevention Week. However, the following outreach activities were conducted to continue

communication of key public education messages within our community. CMSA staff participated in a National Night Out, Trunk or Treat, and Bunny Boulevard events in which 1,653 participants received key public education messages.



PREVENTING POLLUTION

The Agency's Pollution Prevention Program has been recognized locally, regionally, and at the State level as an important component of the Agency's award-winning public education and outreach program. During 2021, due to Marin County's COVID-19 Public Health Orders, the Agency performed limited annual inspections of all industrial dischargers, dental offices covered under the Mercury Reduction Source Control Program, and restaurants regulated under the FOG Source Control Program.

Mercury Reduction Program

The regional *Mercury Watershed Permit* goal is to lower the mercury concentration in the San Francisco Bay. To comply with the permit, wastewater agencies regulate dental offices by requiring them to use dental amalgam separators, as dental amalgam is the largest controllable source of this mercury. Agency staff determined that in calendar year 2021, approximately 15 pounds of mercury were removed and properly disposed within CMSA's service area.

COVID-19 Wastewater Surveillance

In the spring of 2020, laboratories began analyzing wastewater samples for COVID-19. This analysis is called wastewater surveillance and provides real time infection information within communities. Since June 2020, CMSA has participated in Marin County's wastewater surveillance program by providing samples from San Quentin State Prison, San Rafael, Corte Madera, and Ross Valley to University of California, Berkeley's laboratory for analysis. The results have been submitted to the Marin County Office of Public Health for monitoring purposes and to determine where to locate vaccine distribution centers.

FOG Source Control Programs

CMSA assists local wastewater agencies in the development, implementation, and administration of FOG source control programs. The programs include routine inspections, documentation of grease removal device cleaning, and requirements to install grease removal devices for restaurants, remodels, or upgrades to the kitchen plumbing or fixtures. The goal of the FOG programs 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 debris, and clog sewer pipelines.



MAJOR ACCOMPLISHMENTS & INITIATIVES

ORGANIC WASTE PROGRAM

CMSA's organic waste program is comprised of the 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 food waste slurry for a pilot program with SBWMA. F2E was launched in January 2014, with Marin Sanitary Service (MSS) collecting pre-consumer food waste from restaurants and markets in their service area. Collected food waste is processed at MSS's local transfer station. A 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.

Highlights from FY22 include:

- Average of 6.8 tons of food waste per day, and 5,600 gallons of FOG per day (except Sundays), and a total of 306,000 gallons of pre-processed food waste slurry from the SBWMA pilot program.
- Mixture of organic materials produced enough additional biogas to run the energy generation system up to an average 11.1 hours per day, and 24 hours per day multiple days during the week.
- A consultant prepared a detailed co-digestion computer model to allow CMSA to estimate the amount of additional organic waste that can be delivered and processed.
- Initiated discussions with SBWMA and Republic Services for longer-term delivery agreements.
- Updated its existing organic waste feedstock supply agreement with MSS for another 5-year term.
- Successfully applied for a \$2.5 million co-digestion grant from CalRecycle for the new Liquid Organic Waste Storage Tank Project.



CMSA Organic Waste Receiving Facility

RECYCLED WATER STUDIES

In the fall 2021, CMSA hired engineering firms specializing in recycled water and water reuse to conduct studies on the treatment options and costs of expanding recycled water use. The first study was a Tertiary Truck Fill Station Predesign, where the public and private companies could pick up recycled water at CMSA. The second separate study was a Direct Potable Reuse (DPR) Evaluation to investigate CMSA delivering treated water directly to the Marin Municipal Water District (MMWD) distribution system.



Tertiary Fill Station Predesign

Since CMSA produces good quality final effluent, a secondary recycled water truck fill station was permitted by the Regional Water Board and built on-site a few years ago. Since then, the Agency has been supplying secondary recycled water for sewer line flushing and limited dust control projects. The scope of the Predesign determined treatment systems and capacity to produce tertiary level recycled water to be used for landscape irrigation. The study found the capital cost of a 65 gallon per minute system with two commercial fill stations and six residential fill stations was \$3.5 million, or \$8,000 per acre-foot.

DPR Evaluation

The scope of the evaluation was to evaluate the water quality of the Agency's treated wastewater, perform a DPR analysis to select treatment systems to produce advanced treated water, determine the on-site infrastructure needed, and prepare planning level cost estimates to treat CMSA's secondary effluent to an advanced level for direct injection into the MMWD distribution system.

The evaluation assumed the DPR facility would be located at CMSA and connect to a nearby water distribution pipeline. A new pumping facility would transport the water to a 2 million gallon per day (MGD) or 4 MGD two-story DPR treatment facility. DPR implementation was estimated to take 7-10 years, and the 2 MGD facility cost is \$91.3 million and the 4 MGD facility cost is \$122.3 million.

MAJOR CAPITAL AND ASSET MANAGEMENT PROJECTS

RENEWABLE POWER PRODUCTION

The Agency's organic waste receiving facility currently includes an existing below-grade storage tank that accepts various organic waste material, such as food waste and fats, oils, and grease. These materials are mixed then pumped to the digesters to generate biogas for use as fuel in the cogeneration engine, to produce renewable power. To maximize tipping fee revenues and maximize biogas production and renewable power generation, an additional above-ground liquid organic waste storage facility will be constructed.



Geotechnical boring for new above-grade storage tank location.



New screening system.

CMSA has pre-purchased a FOG screening system and hot water pressure washer for this project. The Agency received a CalRecycle Co-Digestion Grant in September 2022, which awarded \$2.5 million to fund all the project construction costs. Construction is anticipated to begin in FY23 and completed in early FY24.

COGEN-POWERED PLANT

Since FY19, Engineering staff has been working on the planning and design to install a new cogeneration system. 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. The commissioning/start-up process for the various systems began in the summer of 2022.

During operation, the new system will power CMSA facilities and export excess renewable power into the local electricity grid, and it will efficiently supply heat to the Agency's office buildings and two anaerobic digesters, 24 hours a day.



New Jenbacher cogeneration engine.

DIGESTER COVER REPLACEMENT



Cleaning wall deposits inside Digester No. 2.

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. The replacement work required CMSA bringing in a digester cleaning company to remove the existing digester content, and complex work by a specialized contractor crew to install the new cover. While the digester was out of service, CMSA staff also completed important maintenance tasks on the pumps and valves associated with the digester that can only be accessed when the digesters are out of service.

As the cover on Digester No. 2 was the same age as the cover that failed, CMSA negotiated a contract with the cover vendor to replace it with a new cover. In the summer of 2022, CMSA began preparations to take the digester offline. Temporary scaffolding was installed in July, the cover was removed in August, and the sludge, struvite, and grit that had accumulated inside the digester were removed in September. The new cover was installed in October 2022 and Digester No. 2 returned to service in early November. CMSA's digesters should be able to remain in continuous service for at least another 10 years.



Digester No. 2 cover replacement.

MAJOR CAPITAL AND ASSET MANAGEMENT PROJECTS

PUMPING SYSTEM UPGRADES

The treatment plant's six Return Activated Sludge (RAS) pumps and associated piping are critical to the secondary treatment process and are over 30 years old. In recent years, staff observed heavy corrosion and wear on the pump shafts and casings, and a decrease in efficiency. In September 2020, CMSA solicited proposals from qualified engineering firms and retained a consultant to assess the hydraulic conditions and provide design services to replace the RAS pumping system. The new RAS pumps were selected based on historical flow data and hydraulic performance and were pre-purchased in January 2021. A construction contract was awarded in June 2021. Construction was completed in FY22, and included replacing the six RAS pumps, seal water system, check valves, plug valves, and associated piping and electrical wiring.



Original RAS pump.



RAS pump after replacement.

ISOLATION VALVE REPLACEMENT



Old valve.



New valve.

This isolation valve is in the Final Effluent Sample Vault, located three feet beneath the mean tide level, and is situated on top of an 84" Outfall pipeline. This is Agency's designated discharge location where treated wastewater samples are taken, with results reported to the Regional Water Board. This high-risk project was separated into three phases. First, staff researched the original design plans to verify what exactly was below the valve and how it was connected to the Outfall. Second, staff calculated the maximum water pressure inside the Outfall to determine the type of fastening system to secure the new valve and to understand how fast the vault could potentially fill with water. Third, a replacement date was selected that had a full moon with minus 1.2' tide, to minimize water pressure. The replacement work took 3 hours to complete and was successful due to staff completing research, preparing in advance, and executing with precision.

FIELD WORK GOES DIGITAL

A goal in the Agency's business plan is for Operations staff to utilize electronic devices for field work. After surveying other agencies, selecting equipment, installing electronic data tags on assets, and developing the tablet-based data sheets, Operations staff traded in their pen and paper for a stylus and data tablet. The tablets are also SCADA enabled so operators can respond to alarms, and view and operate equipment from anywhere.



GAS DETECTION & MONITORING

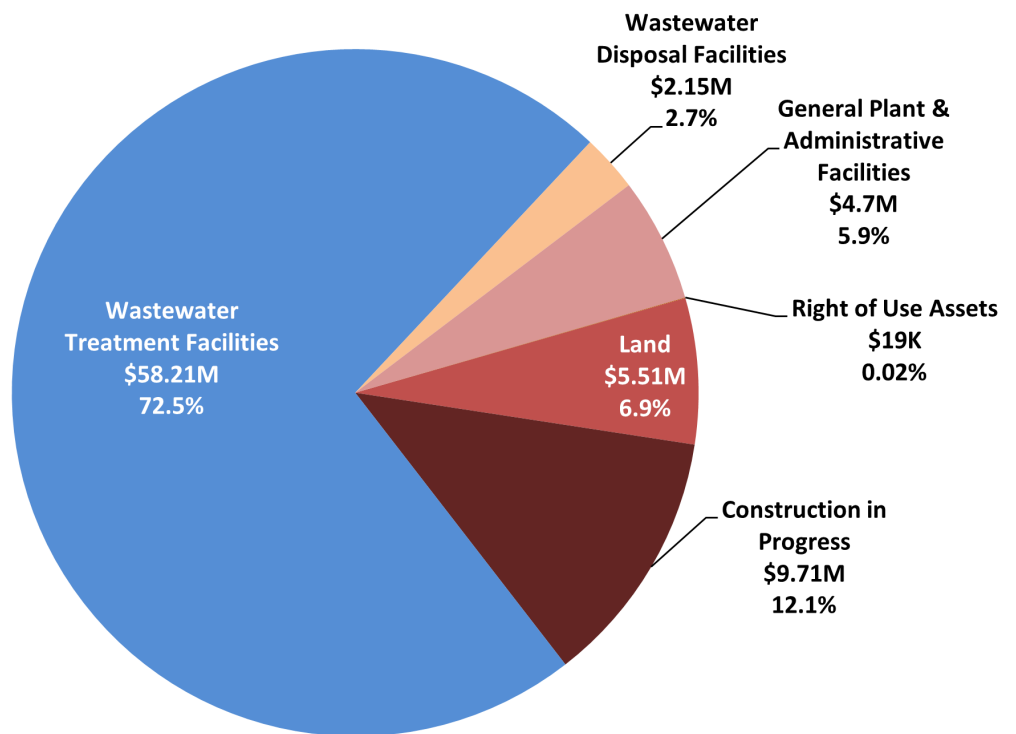


Staff installed a new hazardous atmosphere detection and monitoring system inside the enclosed Headworks building. The Dräger system, pictured left, is an electrochemical three electrode sensor style unit used for continuous real-time monitoring of hydrogen sulfide gas, oxygen levels, and lower explosive limits. The system's controller was mounted downstairs in the sampler room, and its monitoring probes are mounted inside the grit tank room where they can quickly detect changes to the room's atmosphere. This system is also connected to the Agency's alarm system and externally mounted warning beacons to alert staff when the atmosphere is unsafe to enter.

CAPITAL ASSETS

As of June 30, 2022, CMSA's total capital assets, net of depreciation (a non-cash expense that reduces the value of capital assets), totaled \$80,315,884. This amount is broken down into asset categories shown in the chart below. Additions to capitalized assets totaled \$6,770,091 and are reported on the Condensed Statement of Net Position and in Note 6 in the FY22 ACFR financial statements section. The Agency also expensed an additional \$153,988 related to repairs and maintenance on capital equipment which can be found on the Condensed Statement of Revenues and Expenses and Changes in Net Position.

CAPITAL ASSETS AS OF JUNE 30, 2022 (NET OF DEPRECIATION)



WASTEWATER TREATMENT FACILITIES
(72.5% of capital assets)
Assets in this category include structures and equipment used in the treatment of wastewater and biosolids, and in energy production.

CONSTRUCTION IN PROGRESS
(12.1% of capital assets)
Assets in this category include projects that are underway such as, the new cogeneration system and the RAS pumps replacement project.

LAND
(6.9% of capital assets)
Lands owned by the Agency that buildings and treatment plant facilities occupy.

GENERAL PLANT & ADMINISTRATIVE FACILITIES
(5.9% of capital assets)
Assets in this category include Agency buildings and vehicles.

WASTEWATER DISPOSAL FACILITIES
(2.7% of capital assets)
Assets in this category include structures and equipment used in the discharge of treated wastewater into San Francisco Bay.



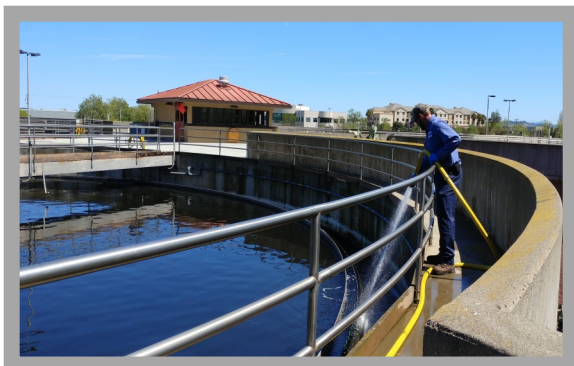
Detailed budget and project information on the Agency's **FY22 Capital Improvement Program** can be found in the **Agency's Adopted Budget** at www.cmsa.us/finance/documents/

KEY FINANCIAL INFORMATION

FY22 BUDGET PERFORMANCE

The Agency uses accounting methods in accordance with generally accepted accounting principles to produce its financial statements, where revenue and expenses are recognized when transactions occur, whether or not cash is received or spent. The cash basis is used to develop the annual budget.

The Agency's primary revenue source is the regional sewer service charge. The table to the right shows the adopted FY22 budget revenues and expenses compared to the FY22 audited actuals.



CMSA is accounted for in a single enterprise fund. A comprehensive set of Board adopted financial policies provides direction to protect the Agency's assets and investments through sound financial management. The source of the information in this PAFR is consistent with generally accepted accounting principles. Details can be found in the FY22 ACFR at www.cmsa.us/finance/documents/.

FY22 CONDENSED STATEMENT REVENUES & EXPENSES: BUDGET TO AUDITED ACTUALS PERFORMANCE

Revenue (Cash in)	Adopted Budget	Audited Actuals
Sewer Service Charges	\$ 12,527,030	\$ 12,527,030
Debt Service	5,656,101	5,656,102
Contract and Other Operating Revenues	1,726,907	2,126,787
Non Operating Revenues— net of non-operating expenses	523,178	556,030
Capital Contributions	326,380	1,171,130
Total Revenues-All Sources	\$ 20,759,596	\$ 22,037,079

Expenditures (Cash out)	Adopted Budget	Audited Actuals*
Total Operating Expenses (net of non-cash depreciation)	\$ 13,251,635	13,551,201
Total Non-Operating & Bond Interest Expenses	1,569,881	1,636,992
Total Expenses	\$ 14,821,516	\$ 15,188,193
Total Debt Service Principal Paid FY22*	\$ 2,955,000	*\$ 2,955,000

*Details available in the FY22 ACFR, Note 7-Long-Term Obligations.

AUDIT OF AGENCY'S STATEMENT BY INDEPENDENT AUDITOR

California Government Code section 53891 requires an annual audit by independent Certified Public Accountants, which is filed with the State Controller's Office. The Agency's FY22 Financial Statements were audited by the Agency's auditor, Cropper Accountancy Corporation, in accordance with Generally Accepted Auditing Standards (GAAS), and presented in accordance with Generally Accepted Accounting Principles (GAAP).

The statements also met the State Controller's Minimum Audit Requirements for California Special Districts. The Agency's Audited Financial Statements and accompanying Independent Auditor's Report were accepted by the CMSA Board in November 2022, and can be found in the Agency's **FY22 ACFR**, available at

www.cmsa.us/finance/documents/.

CONDENSED STATEMENT OF NET POSITION

The Statement of Net Position is a useful indicator of financial position. The largest portion of CMSA's net assets reflects its investment in capital assets (land, buildings, facilities, equipment), less outstanding related debt used to acquire those assets. The Agency's Total Net Position increased by \$2,549,567 in FY22 because total revenues exceeded total expenses.

Total assets decreased by \$1.6M mainly due to spending debt proceeds on capital projects. Total liabilities decreased by \$518K primarily due to decreased amounts owed to vendors. Deferred outflows increased by \$8.36M with an increase in future pension obligations and deferred outflows increased by \$4.7M for pension adjustments, OPEB, and a new deferred inflow for long-term rental income related to a property site lease.

CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2022

	FY20	FY21	FY22	Percent Change FY21-FY22
ASSETS				
Current and Other Assets	\$ 20,514,559	\$ 30,904,238	\$ 26,805,319	-13.3%
Capital Assets - Net	76,313,394	77,815,359	80,315,884	3.2%
TOTAL ASSETS	\$ 96,827,953	\$ 108,719,597	\$ 107,121,203	-1.5%
DEFERRED OUTFLOWS OF RESOURCES¹	5,570,585	5,220,529	13,581,357	160.2%
LIABILITIES				
Current Liabilities	\$ 4,523,644	\$ 5,889,948	\$ 5,212,034	-10.1%
Non-Current Liabilities	53,125,486	60,184,524	60,371,767	0.1%
TOTAL LIABILITIES	\$ 57,649,130	\$ 66,074,472	\$ 65,583,801	-0.8%
DEFERRED INFLOWS OF RESOURCES¹	1,700,000	1,121,145	5,825,343	419.6%
NET POSITION				
Investment in capital assets net of debt	\$ 36,620,936	\$ 39,642,802	\$ 38,327,344	-3.3%
Restricted for pension trust			\$ 19,357	0.0%
Unrestricted	6,428,472	7,101,708	10,946,715	54.1%
TOTAL NET POSITION	\$ 43,049,408	\$ 46,744,510	\$ 49,293,416	5.5%

¹ Amounts associated with OPEB, pension, and debt refunding.

DEFINITIONS

CAPITAL ASSETS: Includes Agency land, treatment plant, facilities, buildings, and equipment net of depreciation.

CURRENT AND OTHER ASSETS: Assets converted to cash or consumed within one year: cash, investments, receivables, prepaid expenses.

CURRENT LIABILITIES, CURRENT PORTION LONG-TERM OBLIGATIONS: Payment due on obligations owed by CMSA within the next 12 months.

DEFERRED OUTFLOW OF RESOURCES: A consumption of net assets that is applicable to a future reporting period.

DEFERRED INFLOW OF RESOURCES: An acquisition of net assets that is applicable to a future reporting period.

INVESTMENT IN CAPITAL ASSETS NET OF DEBT: Amounts invested in capital assets less accumulated depreciation and any outstanding debt used to acquire the assets.

NON-CURRENT LIABILITIES: Payment obligations owed more than 12 months in the future.

RESTRICTED FOR CAPITAL IMPROVEMENTS: Cash and debt proceeds that can only be used for specific capital improvement purposes.

TOTAL NET POSITION: Equity associated with general government assets and liabilities.

UNRESTRICTED (NET POSITION): Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the determination of net investment in capital assets or the restricted component of net position.

STATEMENT OF REVENUE & EXPENSES AND CHANGES IN NET POSITION

This statement summarizes CMSA's operating and non-operating revenues and expenses, and unlike the ACFR, presents Capital Contributions with Total Revenues. CMSA's main sources of revenue are the regional sewer service charges received from JPA members and contract revenues from providing wastewater services to SQSP and SD2. Service charges pay for operating expenses, capital improvements, and debt service. Operating revenues increased as a result of a scheduled 3.5% service charge rate increase and increased contract maintenance revenues for extra work projects performed for SQSP. Capital contributions significantly increased due to several major commercial and residential remodels. Total expenses remained relatively flat, contributing to the \$2.5M increase in net position.

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION AS OF JUNE 30, 2022

	FY20	FY21	FY22	Percent Change FY21-FY22
REVENUES				
Operating Revenues	\$ 18,802,873	\$ 19,851,438	\$ 20,865,949	5.1%
Non-Operating Revenues	(698,343)	207,921	-	100.0%
Capital Contributions-Capacity Charges	511,165	1,592,633	1,171,130	-26.5%
TOTAL REVENUES	\$ 18,615,695	\$ 21,651,992	\$ 22,037,079	1.8%
EXPENSES				
Operating Expenses (including depreciation)	\$ 17,825,011	\$ 17,387,847	\$ 17,850,520	2.7%
Non-Operating Expenses	1,386,336	1,661,789	1,636,992	-1.5%
TOTAL EXPENSES	\$ 19,211,347	\$ 19,049,636	\$ 19,487,512	2.3%
CHANGE IN NET POSITION	\$ (595,652)	\$ 2,602,356	\$ 2,549,567	-2.0%
BEGINNING NET POSITION AS PREVIOUSLY REPORTED	\$ 43,645,061	\$ 44,142,154	\$ 46,743,849	5.9%
ENDING NET POSITION	\$ 43,049,409	\$ 46,744,510	\$ 49,293,416	5.5%

DEFINITIONS

CAPITAL CONTRIBUTIONS-CAPACITY CHARGES:

A treatment plant capacity fee paid by each new sewer user or an expansion by an existing user connecting to a public sewer served by CMSA. Capital contributions must fund capital projects.

CHANGE IN NET POSITION: The total of net income (loss) plus capital contributions-capacity charges.

ENDING NET POSITION: The sum of net position at the beginning of the fiscal year, plus the change in net position, plus prior period adjustments equals the net position at the end of the fiscal year, and is an indication of the Agency's financial position.

NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS:

The difference between total revenue less total expenses.

NON-OPERATING REVENUES & EXPENSES: Revenues and expenses that are incidental to CMSA's main purpose and derived from activities not related to wastewater operations, e.g. interest earnings and costs of borrowing.

OPERATING EXPENSES: Expenses incurred for provision of wastewater related services.

OPERATING REVENUE: Revenues received for wastewater-related services.

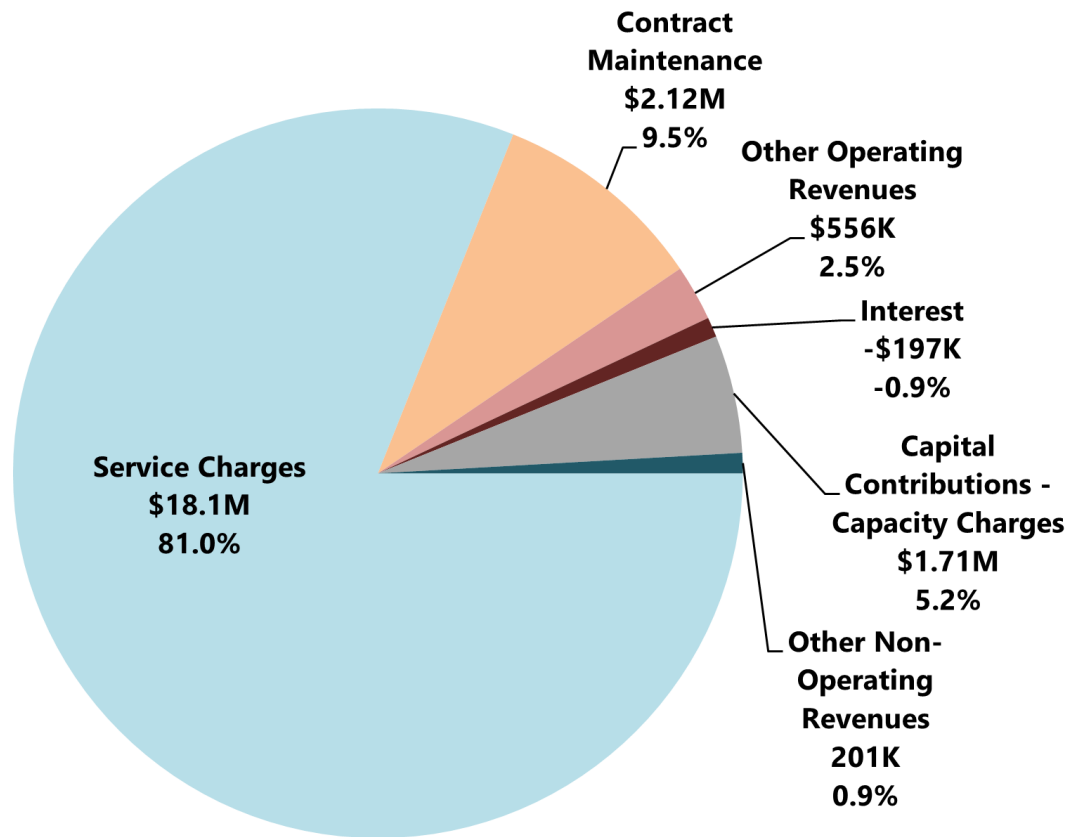
WHERE THE MONEY COMES FROM (REVENUES)

CMSA's total revenues from all sources for FY22 were \$22,040,635 including capital contributions. Operating revenues totaled \$20,865,949 and included \$5,656,102 collected for debt service*, \$2,126,787 for maintenance contracts and \$556,030 for other operating revenues.

Capital Contributions totaled \$1,171,130 and must fund capital projects. CMSA's practice is to spend capital contributions received on a first-in-first-out basis to finance capital activities. Accordingly, no interest was posted to capital contributions and there was no outstanding balance at fiscal year-end.

California Government code requires:

- A separate accounting of capital contributions
- Application of interest to outstanding balances
- Disclosure of the amount collected within 180 days after the fiscal year
- Identification of the funded capital projects



*Debt service is a fee collected for the repayment of revenue bond principal, interest, and debt coverage. In FY22 the Agency paid \$2,955,000 in principal and incurred \$1,363,645 in interest expense.

DEFINITIONS

CONTRACT MAINTENANCE: Revenues received from local and state agencies for wastewater treatment, collection system operation, and source control services.

INTEREST & OTHER NON-OPERATING REVENUE: Interest revenue earned on cash and investment accounts and other sources of income, such as dividend payments, that are not derived from day-to-day operations.

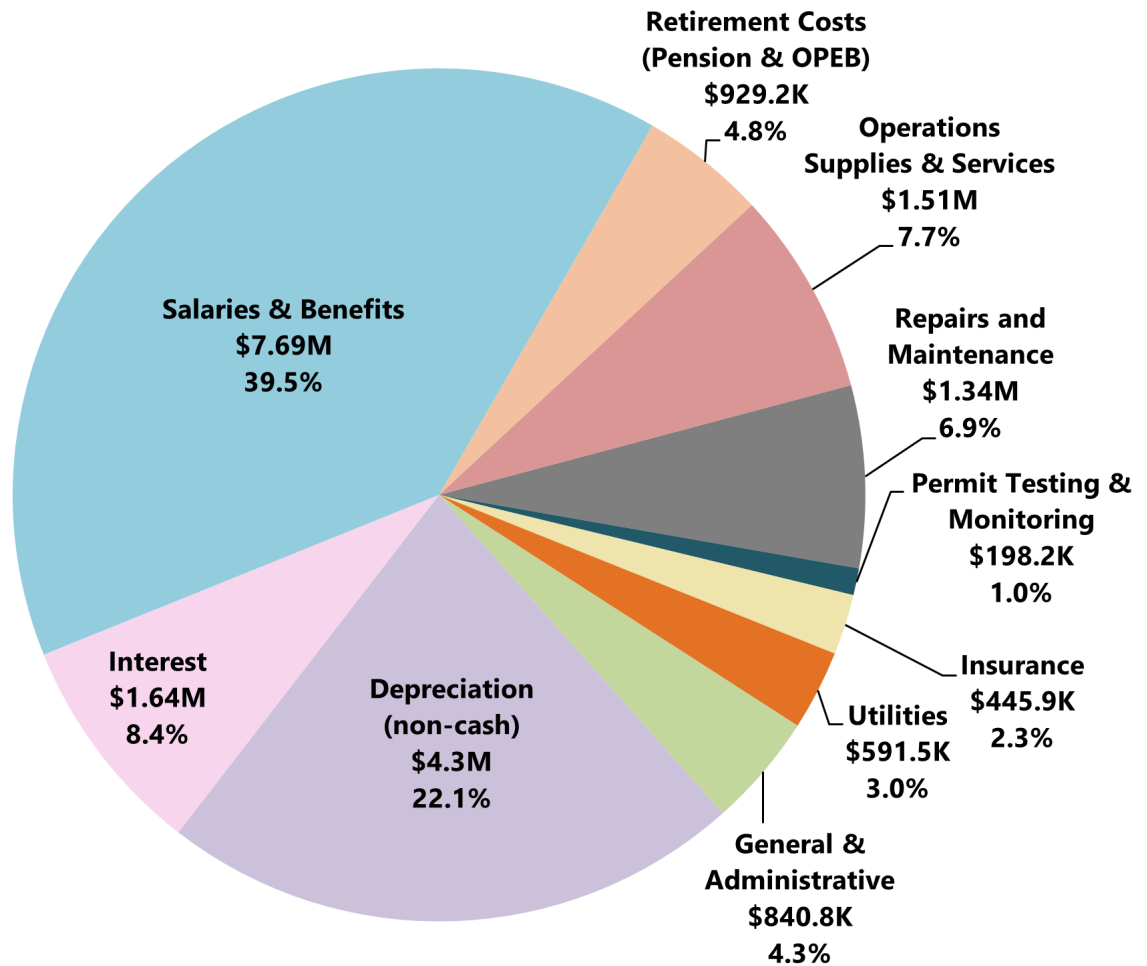
OTHER OPERATING REVENUES: Revenues received and fees charged for permit issuance and site inspections, administration of programs for local wastewater agencies, and facility use charges for septic and organic waste disposal.

SERVICE CHARGES: A fee charged to JPA members and San Quentin State Prison for wastewater treatment service and their share of the Refunding Revenue Bond Series 2015 and Series 2020 debt service payments.

WHERE THE MONEY GOES (EXPENSES)

CMSA FY22 total operating expenses were \$19,491,068 of which \$13,551,201 were actual operational expenses, \$1,640,548 were non-operating interest expenses, and \$4,229,319 was in depreciation, a non-cash expense.

Excluded from this chart are expenditures for capital and asset management projects which have been capitalized and shown as capital assets on the Statement of Net Position and in the Capital Assets section of this report.



DEFINITIONS

DEPRECIATION: A current year non-cash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence.

GENERAL & ADMINISTRATIVE: Expenses include professional services, office related supplies, regulatory permits and memberships in local, state, and national industry organizations.

INSURANCE: Premiums are for general liability, property, auto, and workers' compensation insurance, and employee/commissioner bonds.

OTHER NON-OPERATING EXPENSE—INTEREST: Payments due for borrowing money for the Refunding Revenue Bond Series 2015 and the Series 2020 Revenue Bonds.

PERMIT TESTING & MONITORING: Laboratory fees related to wastewater sampling and monitoring services, other regulatory compliance fees, and laboratory supplies.

OPERATIONS SUPPLIES & SERVICES: Expenses include purchases for chemicals used for treatment, fuel, and biosolids hauling and disposal fees.

REPAIRS & MAINTENANCE: Includes facility expenses to maintain vehicles, equipment, and energy generation systems, and for tools, supplies, and groundskeeping.

RETIREMENT COSTS: The costs of pension and OPEB retirement benefits.

SALARIES & BENEFITS: Compensation and health benefits paid to, and on behalf of, employees and retirees.

UTILITIES: Expenses include electricity, natural gas, solid waste disposal/recycling, water, telephone, and internet.



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, 2021

Christopher P. Morill

Executive Director/CEO

**The Government Finance Officers Association
of the United States and Canada (GFOA)**

has given an award for

**Outstanding Achievement in
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fiscal year ended June 30, 2021.

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highest standards for preparation of state and
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In order to receive an Award for Outstanding
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a government unit must publish a
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whose contents conform to standards of creativity,
presentation, understandability and reader appeal.



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OUR VISION

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.



OUR 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, partnership, teamwork, and collaboration.



CALIFORNIA WATER ENVIRONMENT ASSOCIATION

2021 STATE LEVEL AWARD

*Safety Program of the Year:
1st Place*

*Pretreatment and Pollution
Prevention Person of the Year
Eromosele Esoimeme: 1st Place*

*Engineering and Research
Achievement – Digester Volatile
Loading Study: 2nd Place*

*Mechanical Technician of the
Year James Clark: 3rd Place*

*Treatment Plant of the Year:
3rd Place*

2021 REDWOOD EMPIRE SECTION AWARDS

INDIVIDUAL

*Outstanding Young Professional
of the Year
Joyce Cheung*

*Electrical / Instrumentation
Person of the Year
Tony Drady*