CENTRAL MARIN SANITATION AGENCY









COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2014—JUNE 30, 2015

1301 Andersen Drive ▪ San Rafael, CA 94901 ▪ 415.459.1455 ▪ *www.cmsa.us*

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Central Marin Sanitation Agency

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2014 – June 30, 2015

1301 Andersen Drive, San Rafael CA 94901
Carlos Oblites, Treasurer/Controller/Administrative Services Manager
Prepared by the Finance Department and Administration Department staff

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FOR FISCAL YEAR JULY 1, 2014 THROUGH JUNE 30, 2015

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December 3, 2015

Board of Commissioners
Central Marin Sanitation Agency

It is with great pleasure that we present to you the Comprehensive Annual Financial Report of the Central Marin Sanitation Agency (CMSA), a California public agency, for the fiscal year ended June 30, 2015. This document 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 members of the Board of Commissioners, citizens, investors, employees, member agencies, and others who may have an interest in the financial well-being of the Agency.

California statutes require that CMSA annually issue a report on its financial position and results of operations. This report contains the Agency's financial statements, which have been audited by an independent firm of certified public accountants and have been received by the Agency's Board of Commissioners. CMSA's independent auditor, Chavan & Associates LLP concluded that the Agency's financial statements fairly present the financial position of CMSA in accordance with accounting principals generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

Per *Governmental Accounting Standards Board's (GASB) Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34 (Issued 11/10)*, CMSA is financially accountable as a stand-alone governmental entity. Accordingly, the Agency is accounted for and reported on as though it were a primary government. CMSA, a separate legal entity, is not financially accountable for any component unit or any other organization.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Agency, and CMSA's management is responsible for the contents of the reports. 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.

This report conforms to the standards set forth in GASB Statements No. 61, 34 and 14, and is presented in the following three sections: Introductory, Financial, and Statistical:

- Introductory Section: Includes discussions on Board-approved major initiatives with respect to Agency capital projects, programs, policies and financial operations along with an organizational chart, and a listing of Agency officials.
- Financial Section: Comprises the Independent Auditor's Report, which includes a Management Discussion and Analysis (MD&A), financial statements, and accompanying notes. The MD&A contains several condensed financial statements and statement analyses, including an explanation of variations between fiscal years.

- Statistical Section: Provides historical data on Agency finances, staffing and operations, and service area demographics.

In submitting this Comprehensive Annual Financial Report, we express sincere appreciation to the Board of Commissioners for their ongoing oversight of the financial affairs of the Agency, as well as their continued support. We also thank Agency staff for their ideas and written contributions. Special acknowledgement is given to the finance and administrative staff for their efforts in editing and assembling this report.

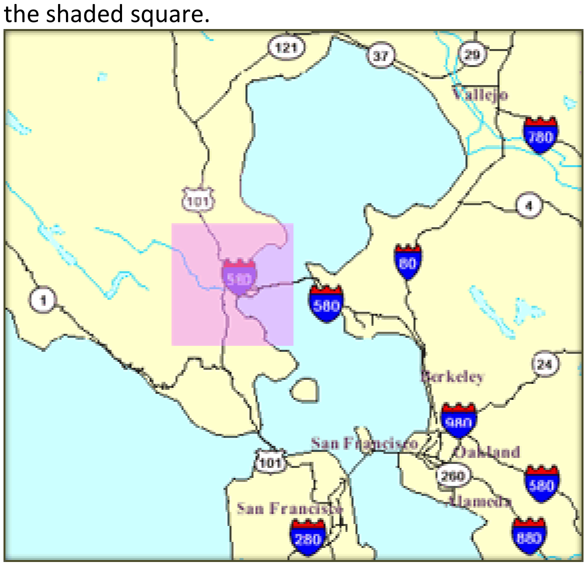
Jason R. Dow, PE	Carlos Oblites
General Manager	Treasurer/Controller/Administrative Services Manager

INTRODUCTORY SECTION

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 located in San Rafael, California and is adjacent to the San Rafael side of the Richmond-San Rafael Bridge (Map 1). The CMSA service area is approximately 43.5 square miles. The area served by CMSA includes the City of Larkspur, the Towns of Corte Madera, San Anselmo, Fairfax, Ross, portions of the City of San Rafael, San Quentin State Prison and the unincorporated areas within San Rafael, Tiburon peninsula, Ross Valley, and San Quentin Village (Map 2). For the Fiscal Year 2014-2015 (FY 15) reporting period, the Agency provided services to an approximate population of 105,000 or 52,512 equivalent dwelling units (EDUs).

Map 1 – San Francisco Bay Area. CMSA is located in the shaded square.



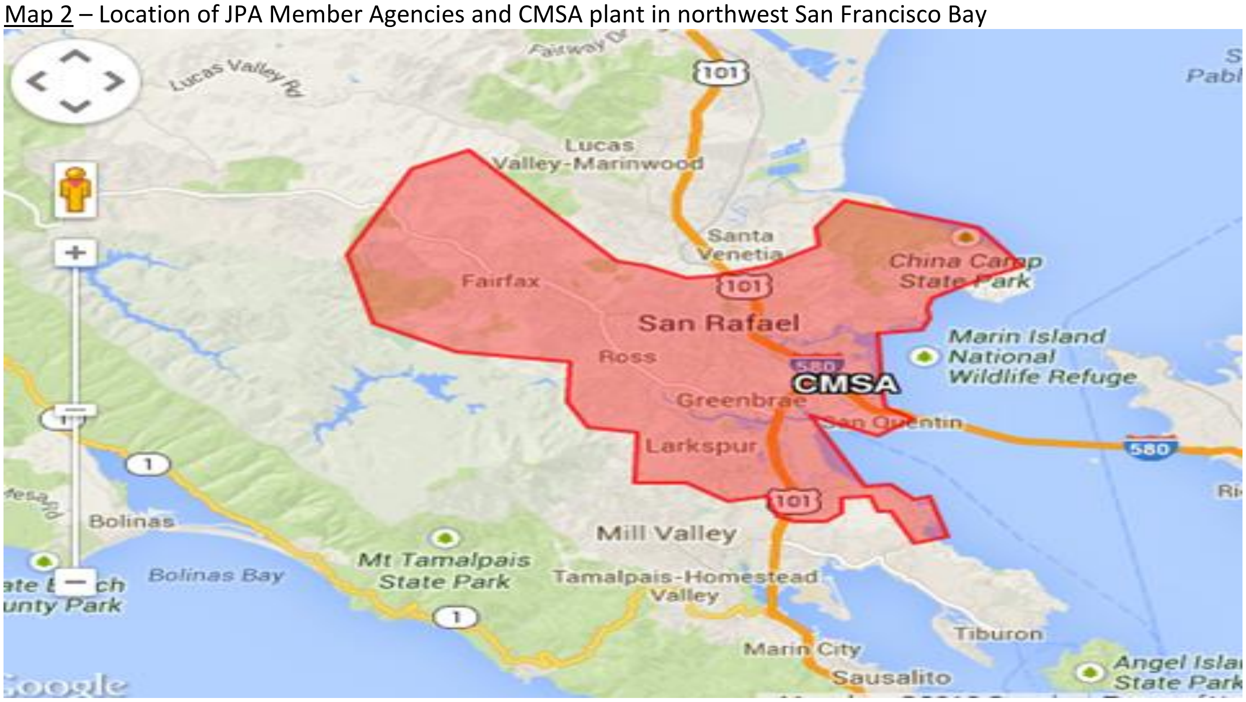
Population of Cities, Towns and Correctional Facilities in the CMSA Service Area

City of Larkspur	12,102
Town of Corte Madera	9,381
Town of San Anselmo	12,514
Town of Fairfax	7,541
Town of Ross	2,461
City of San Rafael	39,239*
San Quentin State Prison	5,247
Unincorporated County in CMSA Service Area: San Quentin Village, Greenbrae, Kentfield, Sleepy Hollow, Tiburon peninsula	16,500

* Represents two-thirds of total city population.

(Sources: California Department of Finance Demographic Reports January 2014 Population Estimates)

Map 2 – Location of JPA Member Agencies and CMSA plant in northwest San Francisco Bay



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 new requirements of the 1972 Clean Water Act. Accordingly, four of the local agencies that provided wastewater services in the area, 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, which represents the largest single customer of wastewater treatment services in the combined service area, opted not to join the JPA and now contracts directly with CMSA 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 and local shares (12.5%) from the local wastewater agencies and San Quentin State Prison.

The Agency’s governing body, a Board of Commissioners (Board), consists of individuals appointed by the local agencies. San Rafael Sanitation District and Sanitary District No. 1 of Marin County each have two members on the Commission while the City of Larkspur and Sanitary District No. 2 of Marin County each have one member. The six-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 became operational in January 1985. The treated wastewater discharged into the 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 and biosolids treatment and disposal throughout central Marin County. Additionally, CMSA provides other services that benefits its customers and the environment through 1) participating in federal pretreatment and state and regional pollution prevention programs, 2) providing wastewater collection system maintenance, source control, and other services under contract to local agencies, 3) managing a comprehensive countywide public educational program, and 4) serving as the lead agency for administering a comprehensive safety program with another wastewater agency in the county.

CMSA operates the largest wastewater treatment facility in Marin County and treats and disposes of the wastewater and biosolids collected from households and businesses in central Marin County. The wastewater treatment process consists of 1) screening and grit removal followed by 2) primary and secondary treatment processing then 3) cleaned wastewater is disinfected and decholorinated before 4) being discharged into San Francisco Bay. In FY 2010, the CMSA treatment facility 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 the majority of its own electrical and heating needs by using a cogeneration system. The cogeneration system produces electricity and heats water by using the methane gas that is produced by the treatment plants' anaerobic digesters. The Agency utilizes all electricity generated and produces no excess power.

ECONOMIC CONDITION AND OUTLOOK

Marin County has a total population of 258,324 (source: 2014 California Employment Development Labor Market Information) with a growth rate of less than 1 percent annually. The county's residents continue to have California's highest average per capita income of $97,124 per household. The population growth rate and per capital household income in the CMSA service area mirrors that of the County.

Marin's 3.8% average unemployment rate is the lowest rate in California (8.2%) and remains below national levels (5.7%) at the end of FY 2015. Seven of the top ten employers as measured by the number of employees in the CMSA service area are governmental entities.

Ten Largest Employers & Number of Employees in CMSA Service Area

1.	San Quentin State Prison	1,832
2.	Marin General Hospital	1,650
3.	Golden Gate Bridge, Highway and Transportation District	775
4.	Dominican University	1000
5.	City of San Rafael	390
6.	San Rafael Schools	355
7.	College of Marin	328
8.	Tamalpais Union High School District	310
9.	Kentfield Rehabilitation & Specialty Hospital	344
10.	Marin Municipal Water District	246

The local housing market continues to recover from the economic downturn. The annualized mean/median sale price for a home in Marin as reported by the Marin County Assessor Office for the year ending December 31, 2014 was $1,137,381/$868,005, compared to $990,304/$795,000 reported in December 2013.

The Agency's revenue structure is based on fee for service. The Agency invoices service charges quarterly and member agencies in turn remit the revenue to CMSA. Sewer connection fees/capacity charges are remitted upon connection 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, 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.

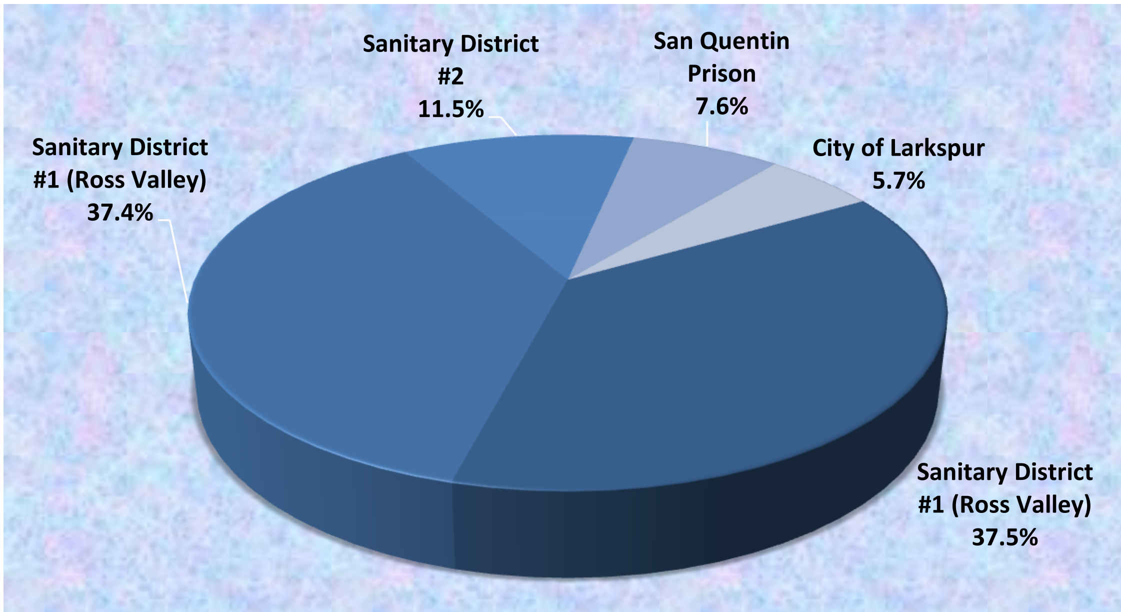
EDU Count by Connection Types for FY 2015

Source: Property Tax Reports, County of Marin

	San Rafael Sanitation District	Ross Valley Sanitary District (SD#1)	City of Larkspur (SD#1)	San Quentin State Prison (SD#1)	Sanitary District #2	TOTAL
Residential	15,676	16,533	2,537	N/A	4,405	39,151
Commercial	3,780	2,550	388	N/A	1,575	8,293
Institutional	187	583	57		236	1,063
SQSP				4,005		4,005
TOTALS	**19,643**	**19,666**	**2,982**	**4,005**	**6,216**	**52,512**

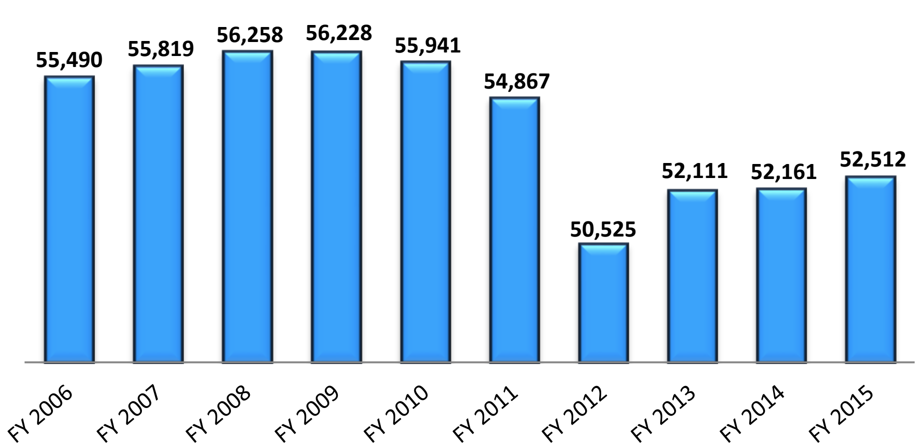
* Governmental entities such as federal, state, county, cities, and special districts are property tax exempt and are billed separately. EDU counts for these institutions are not included in County property tax reports and are reported separately by each JPA member.

52,512 Total EDU by JPA Member and San Quentin as a Percentage of Total EDUs for FY 2015



Sewer service connections in the service area are primarily residential and the reported EDU is a number that remains fairly stable as new development in the service area is minimal. Fluctuations from year to year are generally due to variable water usage by commercial properties. The chart below illustrates the EDU count fluctuated slightly during FY 2006 through FY 2011.The decrease in EDU from FY 2011 to FY 2012 occurred as a result of a change in calculation by SD#1 for the SQSP and other institutional service charges during that fiscal year. Effective FY 2013, CMSA entered into a wastewater services contract agreement with SQSP and CMSA is now responsible for determining the prison's EDU count. The increased EDU count in FY 2013 is the result of increased residential and commercial connections in the service area. The EDU count has remained fairly stable since then.

Total Actual EDU for CMSA Services Area: FY 2006 to FY 2015



AWARDS AND RECOGNITIONS

National Association of Clean Water Agencies (NACWA) "Platinum" Peak Performance Award: NACWA represents the interests of the country's wastewater organizations. Members of NACWA provide wastewater treatment services for the majority of the populace in the United States, and are true environmental practitioners that collectively treat and dispose 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 programs. NACWA presents annual recognition to high performing wastewater utilities through its *Peak Performance Awards* program.

During FY 2015, CMSA received its fifth NACWA "Platinum" Peak Performance Award. The award recognizes the achievement of obtaining one hundred percent compliance with National Pollutant Discharge Elimination System (NPDES) permit requirements for at least five consecutive calendar years. CMSA has now met "Platinum 10" performance criteria for ten consecutive calendar years. Less than two percent of all wastewater treatment facilities nationally have achieved NACWA 5-Year Platinum Award status.

Certificate of Achievement for Excellence in Financial Reporting: Recognition from the Government Finance Officers Association (GFOA) for the Agency's FY 2013-14 Comprehensive Annual Financial Report (CAFR). 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 thirteenth consecutive year that the Agency's CAFR 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. All its financial reports–from the Annual Budget, Annual Financial Statements, and CAFR reports to the monthly Treasurer's and Quarterly Budget Status Reports–are transparent representations of the Agency's financial operations. Each of aforementioned reports are presented to the Board for review and acceptance and are posted on the Agency's website www.cmsa.us/finance.

Outstanding Achievement in Popular Annual Financial Reporting: The Agency's Popular Annual Financial Report (PAFR) for FY 2014 was recognized by GFOA for an outstanding achievement award. The PAFR Award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. The PAFR is specifically designed to be readily accessible and easily understandable to the general public and other interested parties who do not have a background in public finance. This marks the fifth 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 FY 2015 Adopted Budget 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 general 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 for the** Agency's business. This marks the fourth consecutive year that the Agency's Budget has met the high standards of the GFOA for budget reporting documents.

California Water Environment Association (CWEA) Awards: The Agency was recognized by its industry peers in the CWEA Redwood Empire Section by receiving awards for the achievements shown below. The Agency will also be eligible for consideration for state level awards which will be presented at the CWEA Annual Conference in April 2016.

- Community Engagement and Outreach Program of the Year
- Safety Program of the Year

CWEA Staff Awards: Several CMSA staff members were recognized by their industry peers from the CWEA Redwood Empire Section by receiving awards in their respective disciplines. They are also eligible for consideration for state level awards which will be presented at the CWEA Annual Conference in April 2016.

- Noel Rafael for the Murray McKinnie Award (employee since 2014)
- Ray Tiongson for Operator of the Year (employee since 2007)
- MaryJo Ramey for Pretreatment, Pollution Prevention and Stormwater Person of the Year (employee since 2007)
- Kit Groves for Electrical and Instrumentation Person of the Year (employee since 1986)
- James Clark for Mechanical Technician of the Year (employee since 2014)
- Robert Cole for Community Engagement and Outreach Person of the Year (employee since 1998)

STRATEGIC BUSINESS PLAN

In September 2011, the Agency Board adopted its second five-year Strategic Business Plan (SBP) and the Agency now has completed over four years of implementation activities. Many of the Agency's successful achievements over the last several years are directly attributed to the Agency's Strategic Business Plan which has been instrumental in instilling a culture of continuous improvement and enhanced service delivery. The Agency's SBP is comprised of six organizational goals, 16 supporting objectives, and 63 strategic actions designed to fulfill the Agency's Purpose, Vision, and Mission. The SBP's benefits include providing a clear path for improving CMSA as established by the Board, guiding staff in all levels of decision making, and communicating the Agency's organizational priorities to its stakeholders and customers.

Key highlights of the many accomplishments during FY 15 are detailed below.
(Note: the full FY 15 SBP Annual Report can be found on www.cmsa.us.)

- Constructed a new Sodium Bisulfite (SBS) injection line and brought online a SBS polishing station in an effort to reduce the amount of chemicals needed to dechlorinate the treated effluent before discharging into the San Francisco Bay.
- Collaborated with the Bay Area Clean Water Agencies (BACWA) in performing an assessment of CMSA facilities to comply with the requirements in the San Francisco Bay Regional Water Board's Nutrient Watershed Permit.
- Created a process to standardize capital project decision-making and reporting.
- Completed an energy audit of the Agency's facilities and equipment conducted by the Industrial Assessment Center (IAC) at San Francisco State University. Established the Energy Efficiency/Green House Gas Team that now meets regularly and issues quarterly progress reports on IAC recommendations.
- Progressed through much of the Agency's planned Recycled Water Feasibility Study, including conducting a San Quentin site visit, producing a market assessment for commercial use of recycled water, and preparing conceptual treatment and distribution cost estimates for possible alternatives and use locations.
- Completed the Recycled Water Title 22 Engineering Report as well as the design of a truck filling station. Both were approved by the State Water Resources Control Board. Construction of the fill station is planned for completion by the end of November 2015.
- Completed a needs assessment and selected a preferred office configuration and storage improvements design for the expansion and remodeling of the Maintenance Building and Annex. The remodeling is being conducted to better meet the office space and equipment and supply storage needs of the Agency. Agency staff is currently working with FME Architecture on the project design and the City of San Rafael Planning and Building Departments to obtain the necessary permits.
- Developed and finalized a policy to address employee workspace assessments in order to enhance productivity. Prepared a form for employees to use to request an ergonomic assessment of their workspace.
- Researched and provided an overview of content and processes for conducting an organizational culture survey, including past related work performed, associated costs, and typical timeframes for conducting the survey.
- Worked with a consultant to review and develop a new employee performance evaluation program. Created a new administrative procedure that provides guidance and direction for managers, supervisors, and employees on the activities and timeframes for conducting employee performance evaluations. The project included the development of a new evaluation form template to be consistently used by all departments. Staff is now working with the consultant on improvements to the Agency's Merit Incentive Program.

- Completed an inventory and documentation of the Agency's existing IT hardware and software. Surveyed employee technology needs in order to lay the groundwork in developing an Information Systems Master Plan. The Plan includes a documentation of the network layout, a schedule of hardware and software upgrades and replacements, an improvement for network security and remote access, and an improved organization of existing directories and files on the Agency's shared network drive.

Over the past several years, the Agency's Strategic Planning Committee (ASPC) has successfully overseen the initiation and completion of nearly all of the SBP's initiatives. Similar to the process used in 2010, the ASPC and the Agency's Board have begun the collaborative process of developing the Agency's next 5-Year SBP. The process will include selecting an experienced facilitator with experience in strategic planning, organizational development, continuous improvement strategies, leadership, and other related areas. Following the selection of a facilitator, workshops will be held with the Board and key stakeholders to develop or revise the existing Vision, Mission, Purpose, and Core Value statements. When these are drafted, the ASPC will prepare objectives and actions to support and align with the higher level strategic elements.

MAJOR CAPITAL PROJECTS

Below is a discussion of the major capital projects that were underway during FY 15:

Electrical Distribution System Rehabilitation Studies: A consulting firm was hired to reconcile previous electrical arc flash studies, perform a condition assessment of the main plant switchgear, and provide a comprehensive classification of the plant areas as they relate to the National Fire Protection Association's standards for fire protection in wastewater treatment plants (NFPA 820). The project's findings will form part of the electrical design criteria foundation for all future Agency facility improvement projects. The project began in July of 2014 and was completed in July 2015. The following is a brief description of the scope of work for each evaluation in the project.

- ***Electrical Distribution System:*** The main plant switchgear is where the PG&E power enters the Agency. It was installed during the original construction in 1985 and has received minimal upgrades. The consultant performed a condition assessment of the existing equipment and provided a technical memorandum recommending future actions or projects to upgrade the switchgear. In general, the switchgear is in good condition, and future upgrades scheduled for FY 21 are primarily to rehabilitate or replace equipment that is no longer supported by the manufacturer.
- ***Arc Flash:*** CMSA completed several improvement projects that significantly modified electrical equipment and wiring in many process areas in the treatment plant. Most of these projects required various studies to ensure the equipment would function properly within the existing electrical system, and to inform staff of the personal protective equipment (PPE) required when working with the equipment. However, the Agency did not have a uniform model to assess the treatment plant electrical systems.

This evaluation included preparation of a short circuit, coordination, and arc flash study for all of the Agency facilities. The consultant prepared accurate, up-to-date, as-presently-configured electrical drawings for the 480 VAC electrical systems throughout the Agency facilities, and provided equipment load tables. This study information was then used to prepare an arc flash model that will be used by the Agency for future projects. The consultant also used the model to provide vinyl arc flash hazard labels for equipment, and prepared a report describing the proper PPE to be used.

- **NFPA 820:** NFPA 820 is a fire protection standard that is used to classify areas based on the potential for the area to have a flammable atmosphere. Recent treatment plant process and facility upgrades required a reevaluation of the current NFPA classifications throughout the Agency's facilities. The consultant reviewed record drawings and conducted site visits with staff to identify the appropriate NFPA 820 classification for each area. The consultant prepared a technical memorandum that describes of the factors that lead to the area's classification, appropriate safe work practices necessary to work within each area classification (e.g. PPE, ventilation, gas monitoring, etc.), appropriate code(s), certification(s) and/or standard(s) that electrical equipment must comply with before being installed in the area, and recommended improvements to lower the area classification, where applicable.

Maintenance Facility Modifications*:* In November 2014, the Agency hired FME Architecture to perform various professional services for the Agency's multi-year Maintenance Facility Modifications Project. The first task was for the architect to conduct a needs assessment of the maintenance department's office, storage, and inventory needs, and then prepare conceptual plans and cost estimates for up to three improvement options. The selected alternative included construction of a new storage building and modifications to the existing maintenance building to create additional offices and storage space. As second task was the preparation of detailed contract documents suitable for public bidding, respond to Agency comments, and coordinate with the City of San Rafael to obtain the proper construction approval. Preliminary design plans were recently submitted to the San Rafael Planning and Building Departments, and their conditions of approval will be incorporated into the final contract documents which are scheduled to be completed in December 2015.

Hypochlorite Chemical Storage Room Rehabilitation Project*:* The existing epoxy coating and concrete floor in the hypochlorite chemical storage room had significant chloride damage, which degraded the structural integrity of the concrete and rebar. This project includes the removal and replacement of the contaminated concrete, construction of a concrete containment berm around the hypochlorite pumps where the majority of the chemical leaks occurred, improvements to the chemical piping systems, and application of a new, non-skid epoxy coating. Construction activities require the removal and reinstallation of the chemical storage tanks, pumps, piping, and walkway grating. In order to maintain use of the chemical delivery system for treatment processes during construction, the contractor constructed a temporary system outside of the building. The project was released for public bidding in December 2014, three bids were submitted, and the contract was awarded to the lowest responsive bidder. A Notice to Proceed was issued to the contractor in March 2015. Construction activities are underway and are scheduled to be completed in November 2015.

Sludge Thickening System Replacement Project: This project's scope of work includes the replacement of two existing dissolved air floatation (DAF) thickeners with two rotary drum thickeners (RDT). In September 2013, a professional services agreement with a design engineering firm was executed for pre-design and design level services. During pre-design, several thickening technologies were evaluated. RDTs were selected because they have a significantly smaller footprint than the DAFs, allowing them to be installed in the same location as the DAFs, require less energy to operate, and are fully enclosed for more effective odor control. Agency staff worked closely with the design consultant to prepare construction contract documents that were approved for public bidding in September 2014. A construction contract was awarded to a general contractor in November 2014 for a bid price that was significantly lower than the budget allocation in the 10-year Capital Improvement Program, and the Notice to Proceed with construction was issued to a general contractor in December 2014. Demolition of the first DAF was not allowed to proceed until the major project equipment had been delivered to the site so that there the amount of time with a redundant thickening system was minimized. On site construction activities began in May 2015, the first RDT was started in late September, and the project is scheduled to be completed in January 2016.

Odor Control System Improvements: The project's original scope was to rehabilitate or replace the treatment plant's three odor scrubbing units with a technology that was appropriate for each area. A consulting firm was hired in November 2014 to prepare a preliminary design report, prepare contract documents suitable for public bidding, and provide engineering services during the bid period. The consultant presented a draft preliminary design report in March 2015, and, based on its findings, the preferred scrubber replacement alternative had a conceptual construction cost of $4.3 million, approximately $3 million greater than the budget allocation in the 10-year Capital Improvement Program. Given the construction cost, the predesign air sampling results, and the fact that the Agency receives very few odor complaints, the Agency's project team reconsidered the original project scope. At the July CMSA Board meeting, the Board authorized amending the consultant's scope and fee to conduct additional air sampling in the summer, update the preliminary design with the new summer sampling results, remove the task to prepare contract documents to replace the existing scrubbers, and add the design of ventilation modifications to improve the air quality in the solids handling building while biosolids trucks are being loaded.

PARTICIPATION IN REGIONAL INITIATIVES

Continued Drought in California - Exploring the Use of Recycled Water : California is in its fourth year of drought. The winter of 2014/2015 saw decent, average rainfall in many areas in northern California that resulted in reservoirs being at or above average in capacity at the beginning of the summer. However, due to limited rainfall in the central and southern parts of the state and the smallest Sierra Nevada snowpack on record, water remains a scarce commodity. In April 2015, Governor Jerry Brown issued a fourth Executive Order requiring the State Water Board (SWB) to implement mandatory water reductions in urban areas to reduce potable urban water usage by 25 percent statewide. Locally, the Marin Municipal Water District (MMWD) is required to reduce its water use by 20% to meet the state's goals, and the MMWD Board of Director passed a resolution calling for a mandatory reductions in potable water use that includes limiting irrigation to three days per week, prohibiting washing down sidewalks and driveways, and not irrigating 48 hours after a rain event, among many other prohibitions.

CMSA treats approximately 10 million gallons of wastewater per day, and may reuse approximately 15% of the treated wastewater internally, such as for landscape irrigation, cooling of a power generation system, washing equipment and tanks, and transporting chemicals to treatment processes. Historically, the wastewater entering the CMSA treatment plant had too high a salt content for most off-site uses. However, CMSA does provide recycled water to a local pond during the summer months to maintain a minimum water level to protect an endangered turtle species.

In 2013, CMSA and MMWD representatives began conceptual level discussions about using CMSA's current quality of recycled water in the MMWD service area to reduce potable water demand. The focus of the discussion was to work to reduce the current impact of water rationing on our mutual customers; however, it was thought that some potential uses could become routine. Recycled water use is regulated by the SWB's Division of Drinking Water, and potential allowable uses for CMSA's recycled water, with its high salt content, includes sewer line flushing, street and sidewalk cleaning, construction site dust control, and limited landscape irrigation. In April 2014, CMSA and MMWD executed a Memorandum of Understanding to prepare a Recycled Water Feasibility Study and Recycled Water Truck Fill Program Engineering Report. The current status of each is presented below.

> **Truck Filling Program:** Last year, MMWD and CMSA hired a recycled water engineering consultant to prepare a Title 22 Engineering Report to demonstrate to the DDW that CMSA's recycled water meets treatment level requirements for the above mentioned selected uses. That report was completed earlier this year, and approved by the SWB and the San Francisco Regional Water Board, giving CMSA the green light to construct the truck filling station. By the end of calendar year 2015, the fill station will be built and CMSA can begin supplying recycled water to users that bring recycled water trucks to the fill station, the first of whom will be CMSA's satellite collection agencies who will use the water to flush sewer lines.

***Recycled Water Feasibility Study*:** MMWD and CMSA selected a different recycled water engineering consulting firm to conducting a Recycled Water Feasibility Study. The study's scope of work is to identify potential recycled water users near the CMSA treatment plant, the water quality needed for each of the uses, treatment technology options for each use, how to transport the recycled water to each user, and the conceptual level costs for each distribution and treatment system. Funding for the study is by CMSA and MMWD with a matching grant from the SWB.

The draft study has been submitted to the SWB and was reviewed by both agencies, and the final study will be presented to the CMSA and MMWD Boards in December 2015. Many project alternatives were developed and evaluated in the study, and the consultant's recommended project is to provide recycled water to San Quentin State Prison for inmate cell toilet flushing, landscape irrigation, boiler make-up water, and use at a car wash. Projected potable water saving is 152 acre-feet per year and the conceptual project cost is approximately $8.5 million. After the Board presentations, CMSA and MMWD will decide if and how to proceed with a potential recycled water project at San Quentin.

Central Marin Fats, Oils, and Grease (FOG) Program: In 2013, a combined FOG and food waste receiving facility was constructed at CMSA, and the facility began receiving FOG from private haulers in November 2013. By mid-2015, CMSA was receiving up to 15,000 gallons of FOG each day during the workweek, and occasionally a load on the weekend. As described below, FOG is a renewable resource and is processed in the Agency's digesters to produce additional biogas and energy.

Central Marin Food-to-Energy (F2E) Program: In early 2008, the Agency and the local solid waste hauler, Marin Sanitary Service (MSS), began working on the Central Marin County F2E program. F2E is a renewable resource recovery program where food waste is collected then converted into a fuel for use in an energy generation system to produce electricity to power the Agency's facilities. 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 (GHG) emissions, reduced truck traffic on the freeway and local roads, and additional energy production at CMSA. Additionally, CMSA receives a tipping fee for each ton of food waste delivered that assists with stabilizing wastewater service rates.

After the evaluations, studies, community outreach, engineering design, regulatory agency permitting, and facility construction, F2E was launched in January 2014, with MSS beginning to collect 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 containers, bones, melon rinds, metal objects, and similar items, followed by grinding the food waste into small particles about the size of a thumbnail. A special delivery truck then transports the cleaned ground food waste to CMSA, where it is dumped into an underground tank, mixed and processed with FOG, and then injected into the treatment plant's anaerobic digesters.

Once in the digesters, the FOG/food waste mixture is co-digested with wastewater solids to produce additional biogas, a form of methane gas that is used as fuel in an engine generation system. CMSA historically operated the generator on biogas fuel approximately seven hours a day, producing all the Agency's energy needs for that time period. The additional biogas generated from the FOG/food waste material enables the Agency to run the generator longer; a future goal is to achieve full energy self-sufficiency. Attaining self-sufficiency in energy generation would eliminate the need for the Agency to purchase natural gas and electricity from outside sources.

Below is a summary of several noteworthy F2E activities and developments over the past couple years:

- The F2E program is fully supported by elected representatives and staff from the cities and towns in the MSS and CMSA service areas, as well as by the Marin County Board of Supervisors, regulatory agencies, and environmental groups.
- A F2E dedication event was held during the spring of 2014 with attendees from central Marin's city and town councils, regulatory agencies, local businesses participating in the program, and many others from the central Marin community. The event was covered regionally by the local media.
- Since January 2014, MSS has enrolled 120 businesses in the F2E program, and over the next couple years plans to have over 250 participants.
- Mill Valley Refuse, a solid waste hauler operating in southern Marin County, has initiated its own F2E program where it collects food waste from grocery stores, and transports the material to MSS for processing and then delivery to CMSA.
- CMSA is currently receiving approximately 5.5 tons of food waste per day. The food waste and FOG mixture produce enough additional biogas to run the energy generation system up to an average 18 hours per day.
- CMSA intends to continue discussions with the local electric utility to modify our utility interconnection agreement, for future energy exportation to the local grid or direct sale to a private business or local agency through a power purchase agreement.
- MSS and CMSA representatives were invited to present the F2E Program at regional, state, and national conferences, webinars, and other similar events, to highlight the partnership, benefits of recovering renewable resources, and details of both organizations' operations.

<u>Bay Area Biosolids-to-Energy (B2E) Initiative</u>

The solid material removed in the wastewater treatment process is treated, processed, and conditioned to meet local, state and federal environmental quality requirements. The treated material, called biosolids, is then dewatered and beneficially reused. CMSA produced about 6,000 wet tons of biosolids in FY 15. The Agency's current biosolids management practices utilize biosolids for a soil amendment and fertilizer during the dry weather season at sites in southern Sonoma County or Solano County, and for alternate daily cover (ADC) material at the Redwood Landfill during wet weather (November to May). Both management practices are state-certified beneficial-reuse alternatives. With the future of biosolids land application in California in question given events across the state over the past decade, and the California EPA's landfill organic material diversion goals which will likely result in a practical ban on biosolids use as ADC, along with the nationwide focus on reducing greenhouse gas emission to reduce the effects of global warming, many wastewater agencies are evaluating alternate biosolids management options.

In 2008, CMSA joined the Bay Area Biosolids to Energy Coalition (Coalition) to explore the feasibility and potential options to convert biosolids to a renewable resource, such as energy, hydrogen gas, or bio-diesel fuel. Nineteen agencies in the San Francisco Bay Area, serving over three million customers, are part of this collaborative group and are signatories to a joint exercise of powers agreement (JEPA) for the technical, environmental, advocacy, and outreach components of the initiative.

Objectives of the Coalition have changed over the years as it has learned about different technologies and project delivery alternatives. Highlights of the Coalition's activities over the past few years include:

- State Renewable Energy Grants: In 2010, the Coalition received a $1 million grant from the California Energy Commission (CEC) to assist with funding a demonstration project. The initial demonstration project developer was unable to obtain its share of the project funding; therefore, there was the potential to lose the CEC grant funds. Fortunately, in 2013, the Coalition leadership and state lobbyists were able to successfully work with CEC staff to redirect the funds to a research-level demonstration project with Lawrence Berkeley National Laboratories (LBNL) and Chemergy. Laboratory testing was completed, but the demonstration facility was never constructed due to Chemergy not obtaining its matching funds from investors. The Coalition learned that it is very difficult to advance a technology from the pilot testing stage to a demonstration level facility.
- Executive Director Hired: Delta Diablo Sanitation District served as the Coalition's lead agency since its formation in 2008. Lead agency responsibilities and staff time commitments increased significantly as the Coalition began working with project developers to deliver a B2E project. During the fall of 2013, a recruitment process was completed with the selection of a very qualified individual to serve as the Coalition's executive director.
- Local Project Development: Coalition research, technology assessments, and project development activities have resulted in B2E projects being planned or developed by four Coalition agencies. Two B2E facilities will be sub-regional and will have the capacity to receive biosolids from multiple agencies, while the other two B2E facilities will be sized to process all, or a majority, of its agency's produced biosolids.
- Advocacy: Since the initiation of the B2E initiative, the Coalition has worked with state

and federal lobbyists to educate key elected representatives and their staff on biosolids management practices in California, the need to diversify management options, the renewable resource value of biosolids, the on-going status of the B2E initiative, and how implementing a B2E project aligns with state and federal goals associated with increasing renewable energy generation, reducing GHG emissions, and diverting organics from landfills, as well as other relevant and related topics. This advocacy effort has been successful with many state and federal officials supporting the B2E initiative. Support has come in many forms, including letters to state and federal agencies encouraging them to consider B2E projects for grants, language in House and Senate appropriation bills directing the Department of Energy to specifically include B2E projects in grant solicitations, and a letter from the S.F. Bay Area delegation to Governor Brown recommending allocation of a portion of the state's Cap and Trade revenues for a B2E project.

WASTEWATER SERVICE AGREEMENTS FOR CMSA-PROVIDED SERVICES

CMSA has long provided wastewater-related contractual services to several local agencies in Marin County for a variety of wastewater services to comply with regulatory requirements. These contractual arrangements benefit the contracting local agencies as it is a cost-effective approach for them to utilize CMSA staff expertise and resources in lieu of hiring contractors or consultants. CMSA also benefits from these contractual arrangements because the revenue that the Agency receives for providing these services incrementally reduces the amount of wastewater service charges required from JPA members and their customers. Services that CMSA provides under contract include operating, maintaining, and monitoring pump stations, 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 five-year Strategic Business Plan supports providing Agency services under contract to local agencies when appropriateCwhen CMSA has the available resources and the service will result in financial and organizational benefits to both parties. Noteworthy activities and projects this past fiscal year are noted below:

<u>San Quentin Pump Station/Forcemain Condition Assessment</u>: CMSA and the California Department of Corrections and Rehabilitation (CDCR) executed a five-year Wastewater Service Agreement that became effective on July 1, 2014. A provision in the contract requires CMSA to select an engineering consultant to perform a comprehensive condition assessment of the San Quentin main pump station and its 16-inch forcemain. CMSA issued a Request for Proposal (RFP) to several engineering firms and selected the most qualified engineering firm after completing the CMSA's consultant selection process. The consultant began work in August 2015 and is scheduled to complete the assessment in December 2015. The assessment findings will be used by CMSA to prepare a prioritized capital improvement plan (CIP) for the San Quentin pump station and forcemain that will be submitted to CDCR for review and consideration of adoption. Future capital, maintenance, and asset improvement work will be scheduled in accordance with the adopted CIP. CDCR is reimbursing CMSA for the consultant's professional services and Agency staff time to administer the consultant contract.

San Quentin Village Sewer Maintenance District: Two significant rehabilitation projects were completed this past fiscal year.

The first project consisted of refurbishing San Quentin Village Sewer Maintenance District's outdated pump station. The station's existing submersible pumps were bolted to the floor of the wet well, and the system's isolation valves were installed so low in the well that technicians were required to completely isolate the SQVMSD system to perform the maintenance tasks. For the refurbishment, the Agency developed a phased plan to allow for continuous operation of the station while work was in progress. This work consisted of removing and replacing the station's access hatch, removing isolation valves from the well and placing them into separate valve boxes, removing and replacing the existing pumps with a pump and guiderail system, and installing an isolation valve and camlock fitting connection for emergency bypass pumping.

The second project involved the replacement of the station's original 25kW portable standby generator with a correctly sized 15kW generator and automatic transfer switch. The existing standby diesel generator was reaching the end of its lifecycle, and to use this equipment staff would have to manually couple the generator to the station's power disconnect switch using portable cables, which occurs typically in severe storm conditions. The replacement work consisted of sourcing a generator sized for the power needs of the station and installing an automatic power transfer switch (ATS). The new ATS engages the engine and operates the station automatically if utility power is disrupted, and returns the station to utility power once it's restored.

ASSET MANAGEMENT PROGRAM AND RELATED PROJECTS

Major asset maintenance and replacement projects completed in FY 2015 are detailed below:

Cogeneration System Maintenance: Over the past fiscal year, Agency technicians ensured that the cogeneration system ran smoothly and reliably, which resulted in system uptime of over 93%. Staff completed a total of three 2,000-hour preventive maintenance (PM) procedures, which involved replacing the oil and oil filters, air filters, spark plugs, and performing valve adjustments.

A manufacturer recommended 12,000-hour preventive maintenance procedure was completed in the third quarter of FY 15. This work included installing 16 new cylinder heads and gasket kits, installing two rebuilt turbochargers, and inspecting the engine's intercooler. The contractor, Valley Power Systems, commented on the outstanding condition of the engine's internal working parts, which can be directly attributed to the effectiveness of the Agency's biogas purification systems and preventive maintenance schedules. While the cogeneration system was off-line, staff used this time to install an enhanced detonation sensing and ignition control system, and a new 750 kW Kato generator.

Annual engine emissions source testing was performed in April 2015 by the Bay Area Air Quality Management District (BAAQMD) source control inspectors. Test results indicated that the cogeneration system is running well within regulatory emissions limits for both biogas and natural gas.

Cummins Emergency Standby Generator: The Agency's standby emergency generator was installed during original plant construction in 1985, and since then has served the Agency well during power outages. Separate condition assessments were performed on the engine, electric generator, and system controls in late 2013. The Condition Assessment report indicated that the engine and generator were in good condition and required only minor maintenance work. The report also stated that the system controls were also in satisfactory condition, and recommended eventually upgrading this system with state-of-the-art components. To address some of the assessment report recommendations, the generator was temporarily removed from service in March 2015 to replace the cooling system hoses and the generator's main bearing, and to repair a minor wiring fault on the backend of the generator. The generator was tested under a simulated blackout condition and proved ready for service if needed.

Site Sump Piping Rehabilitation: Agency technicians completed a project to rehabilitate the pump and guiderail system within the facility's site sump. This sump has the burdensome task of receiving cooling and waste water from the Administration and Maintenance buildings and septage from private haulers and recreational vehicle waste, along with processing influent sampler wastewater. Work within this busy process area consisted of setting up a bypass pumping system to ensure daily facility operations continued without interruption, removing and replacing the pump and pump base, replacing the pump's guiderail system, and replacing the pump's discharge piping within the sump.

Primary Clarifier Improvements: This past year the Agency completed equipment upgrade work on the final two originally built primary clarifiers. Since 2012, the Agency has been upgrading mechanical equipment, replacing equipment with non-corroding and non-metallic components, and applying industrial coatings to tank piping and launderers. Work was comprised of removing the old collector system (gear sprockets, chain, flights, and wear shoes), installing new equipment, and rebuilding the system's primary drive unit.

Chemical Storage Tank Replacement Project: There are two 6,500 gallon Sodium Bisulfite (SBS) storage tanks in the Agency's chlorination/dechlorination facility. After assessing the condition of both SBS tanks in 2011, it was decided that both tanks were approaching the end of their life cycles. SBS tank #2 was replaced in August of 2013 and Agency technicians replaced SBS tank #1 this past fiscal year. Replacement work included emptying the contents of the tank, de-energizing and removing tank instrumentation and heat trace equipment, and decoupling process piping and valves. After the new tank was installed, staff then reversed the process, reattaching piping and valves, partially filling the new tank with water to test for leaks, and verifying that the level-indicating equipment was working properly.

Fats, Oils, and Grease (FOG) Screening System: The FOG/food waste receiving station began accepting deliveries in late 2013. After reviewing 12 months of station maintenance data, staff determined that the originally installed FOG screening system was undersized for the amount of FOG the station was receiving. The Agency's engineering department located and obtained an appropriate sized unit for this application, and an in-house team of operations and maintenance staff completed the installation. Additionally, a new concrete pad was constructed adjacent to the station to support a jib crane, a larger debris bin, and a hot water wash system.

Sludge Feed Pump Drive Units: The Agency utilizes progressive cavity pumps to remove sludge from the secondary system for thickening and to supply anaerobically digested sludge to three centrifuges. These pumps have used hydrostatic drive units to vary pump speed and solution flows since the treatment began operation in 1985. Hydrostatic drive units use a lot of energy, contain parts that are hard to obtain, and are no longer supported by their manufacturer. Technicians completed two projects this past year that involved installing new energy-efficient variable frequency drive (VFD) units, motors, and speed reduction gear units onto these pumps.

SCADA System Replacement: CMSA staff completed a project to replace the existing SCADA (Supervisory Control and Data Acquisition) system with a new software program called *Ignition*, by Inductive Automation. CMSA operators use the SCADA system to monitor and control treatment plant equipment and processes. The system also generates alarms to alert staff of abnormal conditions, and collects data for historical and regulatory records. The new SCADA system increases reliability, improves functionality and usability, and will communicate with a wider range of process control hardware. The user interface is designed to meet current industry best practices that will improve operator detection and response to alarm conditions. The software was developed for use on stationary PCs as well as mobile computing devices, particularly tablets. Agency operators can now monitor and control the treatment process across the Agency facility via tablet computers connected to the secure Wi-Fi network. These upgrades play a vital role in maintaining CMSA's history of award-winning compliance with permit requirements. Staff began the software development process in late 2013; functional testing was completed in August 2014, and the few issues that were discovered were quickly rectified. Access to the legacy SCADA system was disabled in November 2013, with a total shutdown of the legacy system in early 2015.

ENVIRONMENTAL COMPLIANCE PROGRAMS

The Agency's NPDES permit includes a federally mandated Pretreatment Compliance Program and a state Regional Water Board (RWB) mandated Pollution Prevention Program. The purpose of each program is to regulate businesses and industries that discharge waste into the wastewater collection system so the wastewater discharged will not detrimentally affect the treatment processes, the biosolids quality, or the final effluent that is discharged into San Francisco Bay. There are three dischargers in the CMSA service area that are regulated under the Pretreatment Program because they generate sufficient flow, or use chemicals that have the potential to adversely impact the biosolids or final effluent quality. CMSA staff performs the required monitoring of these dischargers at least quarterly, and conducts an annual comprehensive inspection of each business to ensure their wastewater meets stringent discharge limits.

The Agency's Pollution Prevention Program regulates smaller dischargers that could cumulatively impact the overall biosolids and final effluent quality. All of these dischargers are inspected at least annually, and wastewater samples are collected and tested to ensure that they meet discharge limits. CMSA has one of the most comprehensive programs in the San Francisco Bay Area in terms of the inspections conducted and water sampling frequencies. The 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 FY 2015, the Agency continued to perform annual inspections of all of industrial dischargers, dental offices covered under the Mercury Source Control Program, along with three inspections per year for all restaurants covered under the FOG source control program.

Mercury Reduction Program: The Regional Water Board (RWB) adopted a Mercury Watershed Permit in 2008 which requires a reduction of mercury discharges from all controllable sources to the San Francisco Bay. The permit's goal was to eventually, over decades, lower the mercury concentration and sediment in San Francisco Bay water, and mandates a 20% mercury reduction by 2018. It specifically states that wastewater agencies must regulate dental offices using source control techniques, and that source control programs be developed by March 2010. The reason to have a source control requirement is that 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. Numerous studies have documented dental offices contribute 40% to 60% of the total mercury discharged to the sanitary sewers on a daily basis. Amalgam use has steadily declined in recent years with dentists using porcelain and plastic alternatives, though evidence shows that even if a dentist does not use mercury amalgams, the compound is still discharged in very significant quantities during removal or repair of mercury amalgam fillings.

The CMSA Board passed the Mercury Reduction Ordinance in December of 2009. The Ordinance required the installation of dental amalgam separators by December 31, 2010 and the proper handling and disposal of dental amalgam. The Mercury Watershed Permit required dischargers to provide estimates of the amalgam collected by June 30, 2012, and all dentists to be in compliance with the dental amalgam source control requirements by March 1, 2013. All dentists within the CMSA service area have installed the required dental amalgam separators as required under the ordinance. During the annual compliance inspections, Agency staff determines the amount of amalgam that is removed from the waste stream in the dental offices, and that information is reported to the RWB. In FY 2015, 30.0 pounds of mercury were removed and properly disposed.

***FOG Control Programs*:** CMSA has served in a consultative capacity to assist local wastewater agencies in the development and implementation of FOG control programs within their jurisdictions. The goal of the FOG program is to reduce sewer blockages and prevent sanitary sewer overflows caused when grease is discharged directly into the sanitary sewers. When FOG is improperly disposed it can build up, and if unchecked over time, can harden, combine with roots and debris, and clog the sewer system. Many of the smaller wastewater agencies in Marin

County do not have the staff resources and expertise to administer a comprehensive FOG program for their jurisdiction.

Local agencies that retain CMSA to manage and administer their FOG control programs utilize CMSA staff to perform all required permitting, inspection, and enforcement activities of the food service establishments (FSEs) operating in their jurisdictions. CMSA has developed and implemented FOG control programs for the Las Gallinas Valley Sanitary District, San Rafael Sanitation District, Ross Valley Sanitary District, Sanitary District #2 of Marin County (Town of Corte Madera), and Tamalpais Community Services District, a wastewater collection agency in southern Marin County. All of the programs listed above are in the maintenance phase with routine inspections, documentation of grease removal device cleaning, and requirements to install grease removal devices for new restaurants, those undergoing a remodel, or change of ownership involving upgrades to the kitchen plumbing or fixtures.

We are currently working on the implementation of a FOG control program for Almonte Sanitary District in Southern Marin. All regulatory control mechanisms are in place to administer the program and the two FSEs have been inspected. One has been permitted and the other must install additional grease removal equipment to comply with the FOG control program requirements.

REGULATORY INSPECTIONS BY FEDERAL AND STATE REGULATORS

NPDES Permit Inspection: The Regional Water Board conducted an annual inspection to monitor compliance with all of the requirements specified in the Agency's Federal National Pollutant Discharge Elimination System (NPDES) permit that allows CMSA to discharge into San Francisco Bay. The inspection did not result in any findings or recommendations, and the Agency was commended on its excellent reporting record for NPDES permit compliance.

NPDES Pretreatment Compliance Inspection: The U.S. Environmental Protection Agency conducted an annual inspection to monitor compliance with all of the requirements specified in the Federal Pretreatment Regulations and requirements specified in our NPDES permit. The inspection resulted in no requirements or changes to our Pretreatment Program. The inspector praised the Agency for its excellent program knowledge, documentation, compliance history, dental amalgam program, support for the pharmaceutical collection program, and comprehensive FOG program.

PUBLIC EDUCATION

As the lead agency in administering the county-wide public education program for the six Marin County wastewater agencies, CMSA continues to be innovative in developing public outreach measures to inform the general public of ways to reduce pollutants into the sanitary sewer and storm drain systems. Both the Regional Water Board (RWB) and the CWEA have requested Agency staff to present its county-wide public education program at regional and state conferences, and to share insights on how to develop and manage a successful program. The county-wide public education program won the statewide CWEA Large Budget Public Education

Program of the Year award, which was presented in April 2015 at the CWEA statewide conference in San Diego. The public outreach activities for FY 2015 are detailed below.

Pharmaceutical Take-Back Program: For many years, the Agency has provided financial support to the Marin County Pharmaceutical Take-Back Program to reduce and prevent unused pharmaceutical products from being discharged directly into the sanitary sewers. 5,500 pounds of unused pharmaceutical products were collected and properly disposed in calendar year 2014.

Outreach Events: CMSA participated in many Marin County public education and outreach events including the Marin County Fair, Fairfax Ecofest, Marin Home and Garden Expo (Spring and Fall shows), Annual Tiburon Salmon Release, Marin Italian Street Painting Festival, Novato Business Showcase, Wetlands Days in Mill Valley, and local farmers markets around the county for Earth Day and Pollution Prevention Week. Staff handed out over 2,600 environmental quizzes to educate both adults and children on pollutants, what is safe to flush down the drain, and the proper use of storm drains. Participants who took the quiz received a prize and gained knowledge on sustainable water use.

School Presentations and Performances: CMSA staff coordinated school outreach programs that reached over 5,500 elementary school students in Marin County. The program consists of an interactive and entertaining performance that educates students about what happens to water after it goes down household drains. The show includes juggling, comedy, and magic acts to teach the students about wastewater and other sanitation issues, and promotes awareness of our most precious natural resource. Environmental Services staff also visited classrooms to educate students about wastewater treatment at Ross Elementary School, Marin Academy, and Terra Linda High School.

WORKPLACE SAFETY INITIATIVES

In FY 2013-14, CMSA's outstanding in-house safety programs were recognized with the California Water Environment Association's (CWEA) Redwood Empire Plant Safety Award, and placed third for the CWEA California State Plant Safety Award. For FY 2014-15, CMSA has again been awarded CWEA Redwood Empire Plant Safety Award and looks forward to competing at the State level.

Safety Director Program: CMSA participates jointly with the Novato Sanitary District in a Safety Director Program .This program provides both agencies, which individually are too small to employ a full-time safety and injury management professional, with expertise in the development and oversight of each agency's employee safety and injury management programs. The program focus and the Director's essential job functions are to promote and assist each agency in developing and maintaining workplace safety programs and manage employee injury/return-to-work initiatives. Accomplishing this includes providing employee safety training, developing and maintaining safety policies and procedures, participating in safety assessments of facilities and employee work practices, monitoring changes in Cal/OSHA safety regulations, and providing and assisting with a variety of other safety services. Since inception, the program has been very successful, receiving favorable reviews by the California Sanitation Risk Management Authority and CWEA.

Safety Incentive Program at CMSA: The CMSA Safety Incentive Program was developed and implemented to enhance the overall Safety Program by encouraging employees' active participation. The incentive program strives to achieve this by acknowledging employee contributions in several of the key aspects of a sound safety culture, such as hazard identification, communication, and training. In its current form, the program was developed and approved in early 2014, with formal implementation initiated on July 1, 2014. The program awards points for employee contributions in providing hazard alerts, safety suggestions, leading tailgate training sessions, and participation in outside (non-required) training activities, such as webinars and conferences.

As an element of implementation, a tracking system was developed to collect not only participation metrics but also to provide valuable documentation for demonstrating longer term regulatory compliance. The FY 15 program participation data clearly highlights improvement in the current safety program.

- Tailgates - In previous years, participation in tailgate training was by primarily only by one department and then, only sporadically, averaging one every two months. Attendance at tailgates has now increased to an average of 10.8 tailgates per employee over the past year by all departments. Those tailgates were led by 21 different employees, indicating a willingness by employees to be actively involved in preparing and leading a tailgate.
- Communications - Hazard Alerts and Safety Suggestions are both submitted on a Health and Safety Communication Form for evaluation. Depending upon the evaluation, the suggestions are then implemented, and/or the hazard corrected, and/or a process is put into place to avoid such hazards in the future. In FY 15 there were 25 Health and Safety Communications submitted for review and action, whereas in FY 14 there were less than half a dozen.
- Outside Safety Trainings - Participation in safety activities (training, webinars, etc.) has also increased where the employee is not required to participate but chooses to voluntarily. There were 17 employees who participated in one or more of eight separate activities in FY 15.
- Since implementation of the revised incentive program CMSA is experiencing greater participation in safety activities as well as more "discussion" and consideration of daily safety aspects. Although changing an organization's safety culture can take years, a significant step forward has been made at CMSA in only the past 12 months. However to continue to be successful, the program needs to not only encourage active participation by more employees but also encourage continued participation. The program was reviewed and improvements were made in the program for the FY 16.

NFPA 820 Evaluation and Implementation: In FY 15 CMSA completed an evaluation of all facilities for conformance with the National Fire Protection Association (NFPA) 820 – **Standard for Fire Protection in Wastewater Treatment and Collection Facilities**. This standard was developed by the NFPA to provide guidance, specific to the wastewater treatment industry, in the implementation of fire safe procedures and engineering practices. From the completed evaluation, an implementation plan was developed to address any gaps in compliance and ensure long term alignment with NFPA 820. The implementation plan is expected to be completed by the end of calendar year 2015 and includes employee training, identifying high risk fire areas with signage, developing a written program that identifies safe work practices, and ensuring equipment meets the NFPA specifications.

Safety Training: CMSA strives to provide continual reinforcement of proper safety procedures with regular safety training. Formal safety training, unless stipulated or warranted more frequently, is refreshed every three years. For scheduling purposes, the required Safety training is placed into a 48 month training plan to accommodate 12-, 24- and 36-month renewal cycles with make-up training provided on an ad hoc basis. In FY 15, CMSA conducted 43 formal safety training sessions on 18 separate topics for a total of 510 training-hours. This equates to an average of 12.2 hours of formal safety training per employee for the year.

In addition to the formal safety training, regular informal safety “tailgate” sessions are conducted by each department. Typically 10-15 minutes in length, they facilitate open communications and provide reminders on important current safety topics. As previously mentioned, participation data for FY 15 indicates employee attendance averaged 10.8 tailgates per employee.

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

The Agency undertook the following initiatives to address its business practices and long-term financial stability for FY 15 and beyond.

Governmental Accounting Standards Board Standard 45 (GASB 45) and Other Post Employment Benefits (OPEB): GASB 45 was established in 2004 to require governmental entities to account and report post-employment health care and other forms of non-pension benefits (OPEB) on their financial statements. CMSA has complied with the GASB 45 requirements to disclose the valuation of its post-employment health benefits obligation starting with its FY 2010 financial statements. While GASB 45 does not require a public entity to fund its post-employment health benefits obligation, the Board approved funding the Agency’s annual OPEB contribution through a multi-employer trust administered by the California Public Employees Retirement System (CalPERS) to pay for post-employee health benefits. The Agency has now prefunded its actuarially determined OPEB annual contributions since FY 10 and will continue to do so as reflected in its FY 16 Adopted Budget.

During FY 15, the Agency complied with the requirements of the CalPERS trust fund and prepared a biennial GASB 45 valuation report for the period ending June 30, 2015. There was an increase in the actuarial present value of OPEB benefits since the June 30, 2013 valuation, from

$4.19 million to $4.51 million. The increase was a result of changes in the employee and retiree population during the two years between valuation reports, as well as a lower assumed rate of return on the trust investments from 7.61% to 7.28%. At the end of FY 15, the Agency had accumulated $1.77 million in the multi-employer trust account. This balance included $120K in FY 2015 contributions and investment losses of $2K during the same time period. This amount is not included on the Agency's financial statement as it is not considered an asset of the Agency.

Refinancing the Agency's Revenue Bonds*:* In 2006, the Agency issued $68.7 million in revenue bonds, at an average interest rate of 4.33%, to fund several major capital improvement projects and other needed capital and asset management activities. During the fall of 2014, the Agency's financial advisor informed management staff that bond interest rates were very favorable, and suggested refinancing the 2006 revenue bonds. The following month, the Board approved initiating the refinancing process to achieve a minimum 3% Net Present Value savings.

Over the following four months, the Agency's bond refinancing team comprised of bond counsel, the financial advisor, and staff prepared the necessary Bond documents for the Bond sale. To implement the refinancing transaction, the Board approved a Bond Resolution that authorized the Bond sale and several other Bond related activities. In March 2015, the bond sale was competitive bid and five underwriters submitted bid proposals for the 2015 refinancing revenue bonds. The low bidder's average interest rate was 2.619%, which results in a total debt service savings of approximately $15 million the 17-year bond term and an average annual debt service savings of approximately $866,000.

Future Revenue Planning: The Agency updates a 10-year financial forecast each fiscal year to accompany the annual budget, including a five-year revenue plan. These forecasts are a long-term budgetary examination of Agency operations and project revenues, operating expenses, capital expenses, and reserve balances. The examination is the result of a collaborative process between Agency staff and the CMSA Board Finance Committee. It provides a strategic perspective to guide the Board in making decisions on the direction for future budgets, revenues, and the funding and uses of Agency reserves.

The 10-year model for FY 16 indicates that, consistent with the Board's five-year funding decision in February 2013, the Agency will have sufficient revenues to support operations over the remaining three fiscal years (FY 16 to FY 18) of the Agency's five-year revenue plan.

Revisions to Financial Policies: During FY 15, Agency staff completed a periodic review of the Agency's Financial Policies in accordance with the Agency's Strategic Business Plan. The proposed revisions to the policies included updates and augmentation to language addressing ethics, internal controls, financial reporting, revenue management, and many other financial matters. The proposed revisions have been reviewed and vetted by the Agency's Executive Team, and were approved by the Agency's Board.

The updates to the Financial Policies represent a strategic action to support CMSA's Mission Statement of "Managing and protecting its assets and investments through sound financial policies and business practices." At the end of FY 15, there were twenty-two Financial Policies covering Internal Controls, Financial Reporting, Financial Planning, Treasury, and Revenue, Expenditure, Procurement, and Asset Management.

SUCCESSION PLANNING

Succession planning has been utilized at the Agency over the past ten years for specific departments and individual positions, and has been fully supported by the Board. Elements of previously implemented succession planning activities that were authorized by the Board included special positions for limited duration, creating temporary positions for mentoring and coaching by retiring employees, and overstaffing certain classifications for training and transitioning prior to an employee's retirement.

The Succession Plan is updated annually by analyzing the age and length of service of each member of the workforce, and interviewing employees who meet the criteria for retirement about their retirement plans. The results of this annual update are also incorporated into the Agency's long-term financial forecast model. Characteristics of the CMSA workforce at the end of FY 15 are as follows:

- 39 full time employees and two vacancies
- Average age is 46.2 years
- Average length of service is 9.7 years
- 13 employees have over ten years of service
- Nearly two-fifths of current employees meet the minimum requirement for retirement from the California Public Employees Retirement System

FINANCIAL INFORMATION

Accounting System and Budgeting Controls: The Agency's management team is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, management staff makes estimates and judgments to assess the expected benefits and related costs of control procedures. The objectives of the system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management and Board authorization, and are properly recorded in accordance with generally accepted accounting principles (GAAP). CMSA believes that its internal accounting controls do adequately safeguard assets and provide reasonable assurance that financial transactions are recorded properly.

The Agency is a California Joint Powers Agency (similar to a California Special District) and maintains a single enterprise fund. As a special district, charges to customers are made only to those who receive services. The Agency's account structure, insofar as is practical and in accordance with GAAP, generally follows the California State Controller's System of Accounts for Waste Management Districts. This is a set of procedures that provides the general accounting and reporting guidelines to be used by all California Special Districts performing waste management enterprise activities.

The Agency and its Board adopts an annual budget to serve as the approved financial plan for the fiscal year. Provisions within the JPA agreement authorize the Board to set the sewer service charge assessed on JPA member agencies. The total amount received by CMSA from the JPA member agencies (sewer service charges) and San Quentin State Prison (contracted services revenues), and other minor sources, funds the Agency's annual operations, capital programs, and debt service. The budget is used as a key control device to: 1) ensure Board approval for amounts set for operations and capital expenditures, 2) monitor expenses and project progress, and 3) ensure that approved spending levels have not been exceeded. All operating and capital activities of the Agency are included in the approved annual 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 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 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 Investment and Treasurer's Report to the Board and is available in the Agenda Packet posted on the website at http://www.cmsa.us/board/agendas-and-minutes.

Cash Management: The Agency utilizes the services of the 1) Local Agency Investment Fund (LAIF), 2) Westamerica Bank, and 3) California Asset Management Program (CAMP) to manage its cash and cash equivalent assets. LAIF is a pooled investment 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 rates. Westamerica Bank serves the Agency's general banking requirements in processing the Agency disbursements and receipts. A minimum account balance is maintained to offset the cost of banking services.

Additionally, the Agency also invests some or a portion of its budgeted reserves and the remaining bond proceeds in the CAMP. CAMP is a Joint Powers Authority 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. CMSA also relies on CAMP to invest in individual securities that are consistent with the Agency's investment policy for funds with investment horizons longer than offered in the money markets.

Total interest income earned and recognized during FY 2015 was $41,950, an increase of $1,206 over FY 2014. The increase is attributable to a nominal rise in historically low interest rates and a higher balance in cash and cash equivalents held in LAIF and CAMP. Interest earned on LAIF and CAMP investments was $39,666 and the 2006 Revenue Bond Series proceeds was paid $2,284 in interest earnings.

Agency Funding: The Agency began its annual budget development process with the review of the funding requirements for salaries, benefits, materials, supplies, debt service, capital projects and activities, and reserves. It next assessed the different sources of revenues to fund those requirements. Service charges to JPA member agencies and the contract services revenues received for providing wastewater services to San Quentin State Prison are the two major sources of Agency revenues and are set annually by the Board. Guided by the recently revised Financial Policy #520-Revenue Management, a key change in the methodology used to allocate sewer service charges to each JPA member agency was implemented in FY 2014***.*** The new cost structure is based on the volume and strength of wastewater treated. This change represents a measurable and fair assignment of treatment costs using the cost-of-service principal as applied to measured influent flow received from each JPA member.

An EDU rate of $111.49 was used to allocate debt service to each JPA member agency. Historic EDU rates for the last ten years are displayed in Schedule 8 of the Statistical Section. During FY 2015 the Agency received a total of $9,399,740 for sewer service charges and $5,815,627 for debt service from the JPA member agencies.

Operating & Non-Operating Revenues: The following table shows a summary of revenues by source for the fiscal year ended June 30, 2015 and compares dollar and percentage changes over FY 2014. The amounts shown in the table below differ from the audited Statement of Revenues and Expenses as it provides additional detail for revenues by source.

FINANCIAL INFORMATION (Continued)

Operating & Non-Operating Revenues	Fiscal Year End June 30, 2015	FY 2015 Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease)
Service Charge	$9,399,740	52.6%	$497,808	5.6%
Debt Service Charge	5,815,627	32.5%	(5,022)	-0.1%
Contract Service Revenue	1,555,623	8.7%	120,873	8.4%
Permit and Inspection Fees	16,626	0.1%	(536)	-3.1%
Revenue from Haulers & RV	213,324	1.2%	54,373	34.2%
Total Operating Revenues	**17,000,940**	**95.1%**	**667,496**	**4.1%**
Interest and Investment Income	41,950	0.2%	1,206	3.0%
Miscellaneous Revenues and Refunds	830,223	4.6%	782,727	1,648.0%
Total Non-Operating Revenues	**872,173**	**4.9%**	**783,933**	**888.4%**
Total Revenues	**$17,873,113**	**100.0%**	**$1,451,429**	**8.8%**

Total operating and non-operating revenues, excluding contributed capital, increased by $1,451,429. The increases are summarized as follows:

- Service charges increased by $497,808 for scheduled increases for wastewater treatment services and debt service. The increase included $330,000 to fund future capital improvement projects.
- Contract service revenues net increase was $120,873 due to the contractual rate increases with SQSP, San Quentin Village and SD #2. However, SD #2 pump station revenue decreased by $20K due to a reduced need for repair services, parts and equipment. Other sources included FOG and dental amalgam program revenue which decreased $5.8K and safety director and county-wide education program revenues which netted a $1K increase.
- Permit and Inspection Fees decreased by $536 due a decrease in the number of permits issued.
- Revenue from septic, FOG, and food waste disposal haulers increased by $54,373. The increase was solely attributable to increased loads of FOG and food waste delivered to the Agency's facilities. These sources generated $72,958 in new revenues offset by a $18,585 decrease in septic revenue.
- Interest and investment income increased by $1,206 due to a slight increase in historically low interest rates and increased cash balances deposited at LAIF and CAMP.
- Miscellaneous revenues increased by $782,727 from the prior year due to the refunding of the Revenue Bonds Series 2006 which resulted in the recognition of the Revenue Bonds Series 2006 premium as revenue. This was a non-cash accounting adjustment in accordance with GAAP.

FINANCIAL INFORMATION (Continued)

Contributed Capital: The following schedule presents a summary of contributed capital capacity charges for the fiscal year ended June 30, 2015 with a dollar and percentage comparison for changes over FY 2014. Capacity charges received during FY 2015 totaled $415,845 for 34 new connections and 630 additional fixture unit fees in the service area.

Capital Contributions	Fiscal Year Ended June 30, 2015	Increase (Decrease) from 2014	Percent Increase (Decrease)
Capacity charges	$415,845	$(172,406)	-29.3%

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. The Agency's current practice is to utilize capacity charges received on a first-in-first-out basis to finance capital projects during that fiscal year. Accordingly, no interest was posted to capacity charges and there was no outstanding balance of capacity charges at fiscal year-end. Other required disclosures for the fiscal year ended June 30, 2015 are as follows:

- Total amount of capacity charges collected: $415,845.56

- Listing of FY 2014-15 Maintenance and Capital Projects for which capacity charges were applied:

    - ✓ Sludge Thickening System Replacment Project $ 415,845.56

FINANCIAL INFORMATION (Continued)

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 the fiscal year ended June 30, 2015 and includes a comparison of dollar and percentage changes over FY 2014.

Operating Expenses	**Fiscal Year Ended June 30, 2015**	**FY 2015 Percent of Total**	**Increase (Decrease) from 2014**	**Percent Increase (Decrease)**
Salaries and Benefits	$6,343,530	63.9%	$(2,242,345)	-26.1%
Agency Operations	1,341,798	13.5%	1,464	0.1%
Repairs and Maintenance	1,035,053	10.4%	(140,359)	-11.9%
Permit Testing and Monitoring	130,687	1.3%	20,315	18.4%
Insurance	97,622	1.0%	297	0.3%
Utilities and Telephone	429,324	4.3%	(42,332)	-9.0%
General and Administrative	550,139	5.5%	46,000	9.1%
Total Expenses	**$9,928,153**	**100.0%**	**$(2,356,960)**	**-19.2%**

Total operating expenses decreased by $2,356,960 and were primarily attributable to pension adjustments to employee benefits related to the implementation of GASB 68, as well as to reductions in contributions to pension plans as a result of a large, one-time contribution made in 2013-14.

- Salaries and Benefits decreased by $2,242,345 due to the implementation of GASB 68 and unrepresented and represented employees contributing 3%-4% towards CalPERS Employer Paid Member Contributions (EPMC) retirement benefits.
- Agency Operations increased slightly by $1,464 due to unanticipated safety supply expenditures.
- Repairs and Maintenance expenses decreased $140,359 and were attributable to budgeted capital improvement program expenditures that did not meet the Agency's capitalization criteria, and therefore expenses were $239,583 less than FY 2014. This decrease was offset by additional net increases totaling $99,224 for expenditures related to hazardous waste disposal, repair of pumps, electrical equipment, and hot-water systems, process filter media replacements, and maintenance costs for the FOG/food-waste receiving station, the cogeneration engine, and the centrifuges.
- Permit Testing and Monitoring increased by $20,315 due to unexpected emergency repairs for the secondary underground test tank's secondary containment components.
- The $42,332 decrease in utility expenses was attributable to a reduced need to purchase natural gas and electricity from outside suppliers. The anaerobic digesters and the FOG/food-waste receiving station produce biogas, a renewable resource, which is used as fuel in the cogeneration system that generates electricity to power Agency facilities.
- General and administrative expenses increased $46,000. While not over budget, more money was spent on employee professional development during FY 2015, and also contributing to the increase 1) the addition of two new accounts for process control testing and analysis services, and 2) engineering support services contributed to the increase.

FINANCIAL INFORMATION (Continued)

Revenue Bonds Assets and Liabilities: On April 22, 2015, the Agency issued $49,310,000 of Revenue Bonds Series 2015 at a premium of $5,344,174 with an interest rate ranging from 2.5 to 5.0 percent. The Bonds are fully registered with principal due annually on September 1 and interest payable semi-annually on March 1 and September 1.

The Bond proceeds are being used to advance refund the $68,730,000 Central Marin Sanitation Agency Revenue Bonds Series 2006 (the "Refunded Bonds"), of which $55,510,000 in the aggregate principal amount was outstanding at the time of refunding. The Refunded Bonds financed improvements to the Agency's wastewater treatment and disposal systems, consisting primarily of improvements to the Agency's Treatment Plant to increase capacity for wet weather flows. At the end of FY 2015, the Agency had $49,310,000 in outstanding debt, not including a premium of $5,015,451, net of discounts, that is amortized over the life of the bonds.

Each JPA member agency is obligated to pay its share of the semi-annual debt service and 25 percent debt coverage payments to CMSA pursuant to a Debt Service Payment Agreement between and among 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 of EDU reported for the member's service area. Future Debt Service Charges per EDU will vary depending on the total number of EDU in the combined service area.

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

Revenue Related to Debt Service	**Fiscal Year Ended June 30, 2015**
Service Charge Revenue: Debt Service	$5,815,627
Interest Income from Bond Proceeds	2,284
Outstanding Debt	
Current Maturity (due in one year)	2,095,000
Long-term debt (greater than one year)	47,215,000
Total Outstanding Debt	**$49,310,000**

Service Charge Revenue reflects the actual semi-annual debt service payments received from the JPA member agencies and is based solely on 125% of the scheduled semi-annual debt payments to the bond holders. Interest income is derived from earnings on unexpended bond proceeds held in investment accounts.

FINANCIAL INFORMATION (Continued)

Capital Assets: The following schedule presents a summary of capital assets for the fiscal year ended June 30, 2015 with a dollar and percentage comparison for changes over FY 2014.

Capital Assets	**Fiscal Year Ended June 30, 2015**	**Increase (Decrease) from 2014**	**Percent Increase (Decrease)**
Plant and facilities at cost	$156,341,852	$2,244,857	1.5%
Accumulated depreciation and disposition	(67,979,164)	(3,491,240)	5.4%
Net Plant and Facility	**$88,362,688**	**$(1,246,383)**	**-1.4%**

The Agency's investment in capital assets as of June 30, 2015 totaled $88,362,688 net of accumulated depreciation. The investment in capital assets includes land and land improvements, wastewater treatment facilities, wastewater disposal facilities, general plant and administrative facilities and construction-in-progress. During FY 2015, the Agency acquired $2.2 million capital assets and recorded $3.5 million for the depreciation of capital assets. Depreciation expense decreased $71,416 with several fixed assets having been fully depreciated at the end of FY 2015. Major capital asset transactions (and amounts spent) during the fiscal year include the following:

- Continued work on the Sludge Thickening System Replacement Project ($1,096,746)
- Continued work on the Chemical Storage Room Rehabilitation Project ($351,318)
- Completed a top-end overhaul on the Cogeneration Maintenance Project and replaced its generator ($133,122)
- Centrifuge upgrades and improvement including installation of a new hydraulic drive and new control system software ($108,482)
- Vehicle replacements included a Skytrak forklift and an electric cart ($52,527)
- Capitalized salary and benefit expenses for staff time charged to construction projects ($179,824)

Other Post-Employment Benefits (OPEB): Governmental Accounting Standards Board Standard 45 (GASB 45) was established in 2004 to require governmental entities to account and report post-employment health care and other forms of non-pension benefits (OPEB) in their financial reports. CMSA has complied with the GASB 45 requirements to disclose the valuation of its OPEB obligation starting with its FY 2010 financial statements. While GASB 45 does not require public entities to fund its OPEB obligation, the Board has decided to set aside funding in a multi-employer trust fund administered by the California Public Employees Retirement System (CalPERS) to pay for post-employee health benefits obligations for current Agency retirees and employees. The Agency has now prefunded its actuarially determined annual OPEB contributions since FY 2010.

Below is a table of the Agency's actual annual retiree health expenditures and contributions to the California Employers' Retirement Benefit Trust (CERBT). The accumulated balance in the CERBT is not included on the Agency's financial statement as it is not an asset of the Agency. OPEB funding progress ratio is 44% for FY 2015, and is displayed in Note 10 and in the *Required Supplementary Information* for prior fiscal years in the Agency audited FY 2015 Financial Statements.

FINANCIAL INFORMATION (Continued)

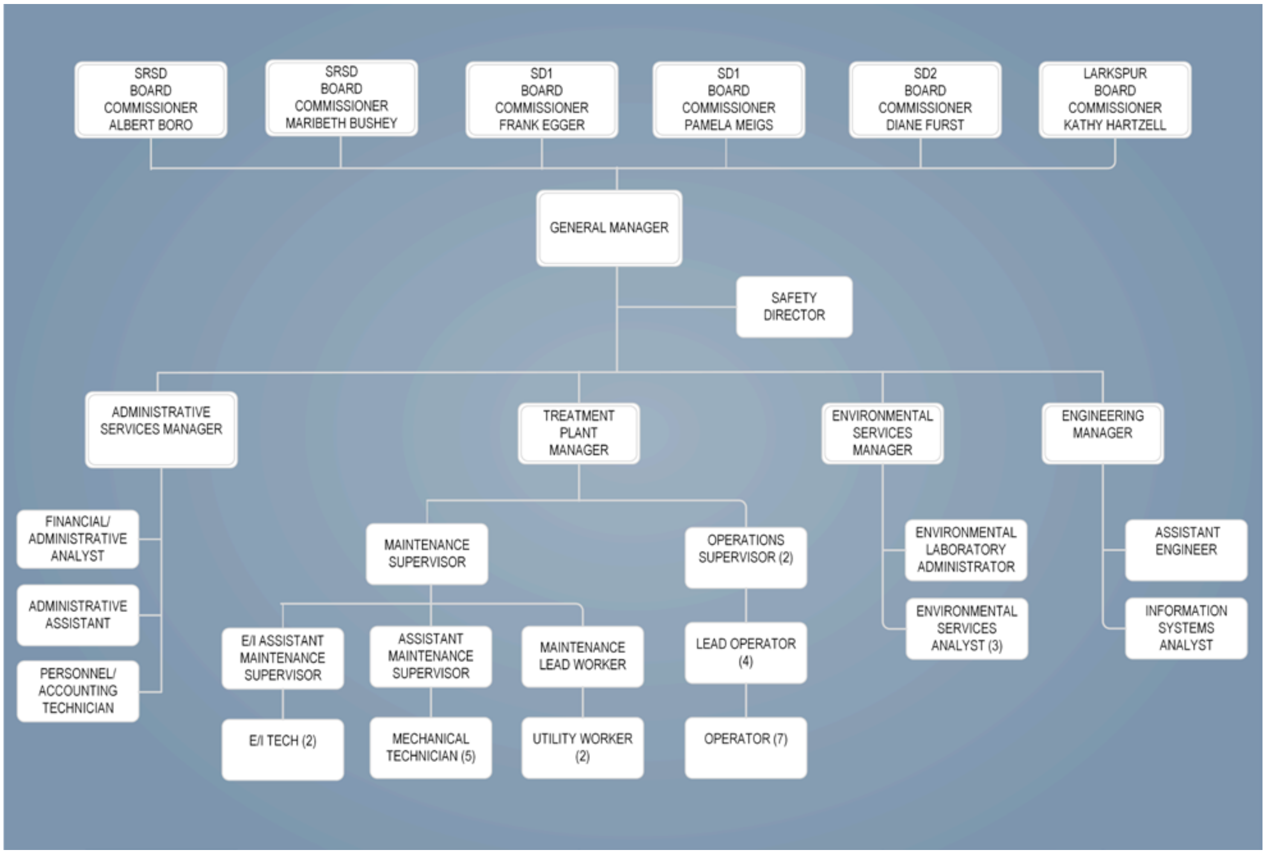
	# of Retirees as of June 30	Retiree Health Expenditures	Contributions To CERBT	Ending CERBT Balance*
FY 09-10	24	$121,003	$300,086	$ 298,158
FY 10-11	24	135,040	276,332	676,399
FY 11-12	28	147,745	240,259	925,988
FY 12-13	29	147,782	217,142	1,255,329
FY 13-14	31	159,603	150,200	1,649,590
FY 14-15	30	176,905	119,600	1,765,644

* Includes CERBT administration expenses and gains or losses on investments.

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 through the use of insurance policies while retaining a manageable portion of risk through deductibles. The Agency is a member of the California Sanitation Risk Management Authority (CSRMA), a joint powers authority 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 through the use of hold harmless (indemnification) clauses in all Agency-related contracts and agreements.

In the area of risk reduction or avoidance, the Agency utilizes an in-house safety committee, the cooperative safety director program, and outside risk management and safety consultants. Much attention is focused on safety at CMSA. Training is provided to educate employees on all aspects of workplace safety and includes 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 director for their ongoing efforts to ensure workplace safety.

Independent Audit: State statutes require an annual audit by independent Certified Public Accountants. The accounting firm Chavan & Associates LLP, Certified Public Accountants, performed the audit of the Agency's FY 2015 financial statements. Chavan & Associates LLP 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 and 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.



Agency Officials as of June 30, 2015

Commissioners:

Kathy Hartzell, Commission Chair, City of Larkspur
Maribeth Bushey, Commission Vice-Chair, San Rafael Sanitation District
Albert Boro, Secretary, San Rafael Sanitation District
Frank Egger, Sanitary District Number 1 of Marin County
Pamela Meigs, Sanitary District Number 1 of Marin County
Diane Furst, Sanitary District Number 2 of Marin County

Managers:

Jason R. Dow, PE, General Manager
Chris Finton, Treatment Plant Manager
Robert Cole, Environmental Services Manager
Hank Jen, Administrative Services Manager
Brian Thomas, PE, Engineering Manager

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June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

FINANCIAL SECTION

Audited Financial Statements

CENTRAL MARIN SANITATION AGENCY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2015

*   *   *

CHAVAN & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE, SUITE 180
SAN JOSE, CA 95129

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Central Marin Sanitation Agency
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Marin Sanitation Agency (the "Agency"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Central Marin Sanitation Agency, as of June 30, 2015, and the

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respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions - CalPERS, schedule of proportionate share of net pension liability, and schedule of funding progress for the retiree health benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

New Accounting Principles

As discussed in Notes 2 and 9 to the financial statements, the Agency adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* effective June 30, 2015 and GASB Statement No 71**,** *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68***.**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015 on our consideration of the 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 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 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 the Agency's internal control over financial reporting and compliance.

C & A LLP

October 14, 2015
San Jose, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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 the residents, businesses, and governmental institutions including the large San Quentin State Prison (SQSP) in central Marin County. The area served by CMSA includes portions of the City of San Rafael, the City of Larkspur, the Towns of Corte Madera, Fairfax, Ross, San Anselmo, and the unincorporated areas of Ross Valley. For the Fiscal Year 2014-15 reporting period, the Agency provided services to 48,507 equivalent dwelling units (EDUs) with an approximate population of 105,000 in the service area. An additional 4,005 EDUs have been assigned to SQSP.

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 agencies that provided wastewater services, San Rafael Sanitation District (SRSD), Sanitary District No. 1 of Marin County (SD1), 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 State of California's San Quentin State Prison chose not to join the JPA. The Agency's facilities were constructed at a cost of $84 million and funded by federal (75%) and state (12.5%) clean water grants and local shares (12.5%) from the four local agencies and San Quentin State Prison.

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. Additionally, CMSA provides other services that benefit its customers and the environment through 1) administering 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, and 4) providing collection system maintenance, source control, and other services under contract to several local agencies in the county.

The Agency's governing body, a Board of Commissioners (Board), consists of individuals appointed by the JPA agencies. San Rafael Sanitation District and Sanitary District No. 1 of Marin County each have two members on the Commission while the City of Larkspur and Sanitary District No. 2 of Marin County each have one member. The six-member Board sets policy for the Agency, and 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 accordance with the Board's policies and approved budget. The Treasurer/Controller is charged with overall financial responsibility in accordance with established Agency policies.

FINANCIAL HIGHLIGHTS

The Agency's FY 2014-15 financial highlights are listed below and the changes indicated are in relation to the FY 2013-14 audited financial statements[1]. These results are also discussed in more detail later in the report.

- The total ending net position decreased by $5,209,319 from FY 2013-14 to FY 2014-15 to $45,345,155 million. The main contributors to the decrease in Net Position include:
    - Reductions in beginning net position of $7.3 million from the implementation of GASB 68 for the Agency's CalPERS pension plan, and
    - Reduction in Agency liabilities by $2 million from the refunding of the Series 2006 Revenue Bonds.

- Total revenues (operating and non-operating) increased by $1.45 million from FY 2013-14 to $17.87 million in FY 2014-15. The increase in revenues was from service charges and the refunding of the Series 2006 Revenue Bonds.

- Total expenses (operating and non-operating) decreased by $2.2 million from FY 2013-14 to FY 2014-15. The decreases in expenses was from pension adjustments to employee benefits related to the implementation of GASB 68 and reductions in contributions to pensions plans, as a large one-time contribution was made in 2013-14.

- Capital contributions-capacity charges decreased by $172,406 to $415,845 from FY 2013-14 to FY 2014-15. There were a total of 34 new sewer connections and 630 additional fixture connections in the service area during FY 2014-15 compared to 93 new connections in FY 2013-14.

[1] The Agency's FY 2013-14 and FY 2014-15 audited financial statements are available at http://cmsa.us/finance

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report includes the management's discussion and analysis report, the independent auditor's 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 similar to those used by private sector companies. These statements have been prepared and audited using generally acceptable accounting 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 (formerly Statement of Net Assets) includes all of 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 the Agency's finances is whether or not 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 and changes in them. 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 the Agency's net position is one of many indicators to ascertain if its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, new Government Accounting Standards Board (GASB) statements, and new or changed legislation.

NET POSITION STATEMENT ANALYSIS

Table 1 – Summary of Net Position

	Fiscal Year 2014-15	Fiscal Year 2013-14	Dollar Change	Percent Change
Assets				
Current Assets	$ 16,638,187	$ 15,675,435	$ 962,752	6.1%
Noncurrent Assets	4,049,998	5,596,985	(1,546,987)	-27.6%
Capital Assets	88,362,689	89,609,071	(1,246,382)	-1.4%
Total Assets	$ 109,050,874	$ 110,881,491	$ (1,830,617)	-1.7%
Deferred Outflows of Resources	$ 936,613	$ -	$ 936,613	100.0%
Liabilities				
Current Liabilities	$ 4,016,974	$ 4,091,917	$ (74,943)	-1.8%
Noncurrent Liabilities	58,370,954	56,235,100	2,135,854	3.8%
Total Liabilities	$ 62,387,928	$ 60,327,017	$ 2,060,911	3.4%
Deferred Inflows of Resources	$ 2,254,404	$ -	$ 2,254,404	100.0%
Net Position				
Net Investment in Capital Assets	$ 38,085,361	$ 36,352,645	$ 1,732,716	4.8%
Unrestricted	7,259,794	14,201,829	(6,942,035)	-48.9%
Total Net Position	$ 45,345,155	$ 50,554,474	$ (5,209,319)	-10.3%

Net position decreased by $5,209,319 to $45,345,155 from FY 2013-14 to FY 2014-15 as follows:

- Total assets decreased by $1,830,617. Current assets increased by $962,752 due to increases in accounts receivables and cash accounts. Noncurrent assets decreased by $2,793,369 because of decreases in noncurrent restricted cash, bond issuance costs, and depreciation on capital assets.

- Current liabilities (obligations due within 12 months) decreased by $74,943. The net decrease was due primarily to decreased interest payables and current long-term obligations. Additional information can be found in Note #4 to the Financial Statements-Plant and Facilities.

- Non-current (long-term) liabilities increased by $2,135,854 with the implementation of GASB 68 and the recording of a $6 million net pension liability which was offset in a reduction of revenue bonds payable when the Series 2006 Revenue Bonds were refinanced. Long-term liabilities are reduced each year as each series on the outstanding Revenue Bonds reach maturity and the principal amount is paid back to the bondholders. Additional information on the Agency's non-current liabilities can be found in Note #5-Long-Term Obligations.

By far the largest portion of the Agency's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and vehicles) 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. Consequently, these assets are not available for future spending. Although the Agency's investment in its 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. The remaining balance of unrestricted net position may be used to meet the Agency's ongoing obligations to its customers and creditors.

REVENUES, EXPENSES AND CHANGE IN NET POSITION STATEMENT ANALYSIS

Table 2 – Change in Net Position

	Fiscal Year 2014-15	Fiscal Year 2013-14	Dollar Change	Percent Change
Operating Revenues:				
Service Charges	$ 15,215,367	$ 14,722,581	$ 492,786	3.35%
Contract maintenance revenues	1,352,202	1,226,428	125,774	10.26%
Other operating revenue	433,371	384,435	48,936	12.73%
Total operating revenue	17,000,940	16,333,444	667,496	4.09%
Non-operating Revenues:				
Interest and investment income	41,950	40,744	1,206	2.96%
Other non-operating revenues	830,223	47,496	782,727	1647.99%
Total non-operating revenues	872,173	88,240	783,933	888.41%
Total Revenues	**17,873,113**	**16,421,684**	**1,451,429**	**8.84%**
Expenses:				
Operating Expenses	13,419,393	15,847,769	(2,428,376)	-15.32%
Non-operating expenses	2,800,854	2,538,242	262,612	10.35%
Total Expenses	**16,220,247**	**18,386,011**	**(2,165,764)**	**-11.78%**
Income before Capital Contributions	1,652,866	(1,964,327)	3,617,193	-184.14%
Capital contributions - connection fee capacity charges	415,845	588,251	(172,406)	-29.31%
Change in net position	2,068,711	(1,376,076)	3,444,787	-250.33%
Net position - beginning	50,554,474	51,930,550	(1,376,076)	-2.65%
Prior period adjustment - GASB 68	(7,278,030)	-	(7,278,030)	-100.00%
Net position - ending	**$ 45,345,155**	**$ 50,554,474**	**$ (5,209,319)**	**-10.30%**

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 change in net position was $2,068,711 during FY 2014-15, as follows:

- Total operating revenues increased by $667,496. Service charges increased by $492,786 for scheduled increases for wastewater treatment services and debt service. Contract maintenance revenues increased by $125,774 due to a contractual rate increase for waste services between CMSA and San Quentin State Prison. Other operating revenues increased by $48,936 due to increased revenues from fats, oil and grease (FOG) haulers and food waste disposers.

- Total non-operating revenues increased by $783,933 primarily due to the refunding of the Series 2006 Revenue Bonds. Interest income increased by $1,206.
- Operating expenses decreased by $2,165,764. The most significant changes in operating expenses from FY 2013-14 to 2014-15 were from salaries and benefits, and repairs and maintenance. Salaries and benefits decreased by $2,242,345 due to the implementation of GASB 68 and employees contributing 3%-4% towards CalPERS Employer Paid Member Contributions (EPMC) retirement benefits. Repairs and maintenance decreased by $140,359 due to reduced costs for maintenance projects performed on facility equipment.
- Non-operating expenses increased $262,612 due primarily to the refunding of the Series 2006 Revenue Bonds. Interest expense will decrease as the amount of outstanding debt is paid off each year.
- Capital contributions-connection fee capacity charges decreased by $172,406. The connection fee is adjusted annually based on the ENR San Francisco Bay Area Construction Cost Index. The FY 2014-15 adjustment was 5.04% which was 5.02% higher than the .02% increase in FY2013-14. There were 34 new connections and 630 additional fixture connections in FY 2014-15 compared to 93 new connections in FY 2013-14.

CAPITAL ASSETS

The Agency's investment in capital assets as of June 30, 2015 totaled $88,362,689 net of accumulated depreciation. This investment in capital assets includes land and land improvements, wastewater and biosolids treatment facilities, wastewater disposal facilities, general plant and administrative facilities and construction-in-progress. During FY 2014-15, the Agency acquired/constructed $1.7 million and depreciated $3.5 million in capital assets. The total net decrease in the Agency's investment in capital assets was $1.246 million or 1.39%.

Table 3 - Summary of Net Investment in Capital Assets

Description	Fiscal Year 2014-15	Fiscal Year 2013-14	Dollar Change	Percent Change
Land	$ 4,857,321	$ 4,857,321	$ -	0.00%
Construction in progress	2,077,798	381,967	1,695,831	443.97%
Wastewater treatment facilities	74,332,479	76,819,667	(2,487,188)	-3.24%
Wastewater disposal facilities	4,356,428	4,679,947	(323,519)	-6.91%
General plant and administrative facilities	2,738,663	2,870,169	(131,506)	-4.58%
Total plant and facilities - net	**$ 88,362,689**	**$ 89,609,071**	**$ (1,246,382)**	**-1.39%**

Construction-in-process increased by $1.7 million and there were no transfers during the year.

Major capital asset transactions and amounts (net of capitalized salaries) during FY 2014-15 include the following:

- Capitalized salary and benefit expenses for staff time spent on construction projects ($179,824)
- Continued work on the Sludge Thickening System Replacement Project ($1,096,746)
- Completed a top-end overhaul on the Cogeneration Engine and replaced its generator ($133,122)
- Centrifuge upgrades and improvements including installation of a new hydraulic drive and new control system software ($108,482)
- Vehicle replacements included a Skytrak forklift and an electric cart ($52,527)
- Continued work on the Chemical Storage Room Rehabilitation Project ($351,318)

Additional information about the Agency's capital assets can be found in Note 4 - Plant and Facilities.

DEBT ADMINISTRATION

As of June 30, 2015, the Agency had $49,310,000 in outstanding debt from the 2015 Revenue Bonds, not including a premium of $5,015,451, net of discounts, that is amortized over the life of the bonds.

The Agency continues to expand, upgrade, and improve the quality of its treatment systems to meet current environmental regulations, manage wet weather flows, and to serve the needs of its customers. Refunding Revenue Bonds Series 2015 were issued at a premium during FY 2014-15 to refund the Series 2006 Revenue Bonds. The Series 2006 Revenue Bonds were issued during FY 2006-07 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.

Additional information on the Agency's outstanding debt can be found in Note 5 - Long-Term Obligations.

ECONOMIC FACTORS

The Agency is governed in part by provisions of the State Water Resources Control Board which specifies 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 is received directly from the three JPA member agencies (SRSD, SD1, and SD2) and not from the rate payers in the service area, nor does it receive property tax revenue. Accordingly, the Agency sets its charges to JPA member agencies and the State of California for San Quentin State Prison to cover the costs of OM&R and debt financed capital improvements plus any increments as established in the Board adopted multi-year revenue plan for known or anticipated changes in program costs.

The Agency's Board of Commissioners adopts an annual budget which serves as the Agency's approved financial plan. 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-items accounts, 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 our JPA members, creditors, customers, and other interested parties with a general overview of the Agency's finances and to 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

BASIC FINANCIAL STATEMENTS

Central Marin Sanitation Agency

Statement of Net Position

June 30, 2015

		2015
Assets		
Current Assets:		
Cash and cash equivalents	$	15,998,126
Accounts receivable		529,007
Interest receivable		10,830
Prepaid expenses		68,795
Other current assets		31,429
Total Current Assets		16,638,187
Noncurrent Assets:		
Restricted cash and investments		4,048,123
OPEB asset		1,875
Capital Assets - Plant and facilities:		
Non-depreciable		6,935,119
Depreciable, net of accumulated depreciation		81,427,570
Total Capital Assets - Net		88,362,689
Total Noncurrent Assets - Net		92,412,687
Total Assets	$	109,050,874
Deferred Outflows of Resources		
Pension Contributions into CalPERS Miscellaneous Plans	$	936,613
Liabilities		
Current Liabilities:		
Accounts payable	$	852,514
Accrued salaries and benefits		172,615
Interest payable		446,327
Unearned revenue		6,685
Current portion of long-term obligations		2,538,833
Total Current Liabilities		4,016,974
Noncurrent Liabilities:		
Long-term obligations, net of current portion		58,370,954
Total Noncurrent Liabilities		58,370,954
Total Liabilities	$	62,387,928
Deferred Inflows of Resources		
Gain on Early Retirement of Long-term Debt	$	796,190
Pension Adjustments - Differences in Projected and Actual Earnings		1,458,214
Total Deferred Inflows of Resources	$	2,254,404
Net Position		
Net Investment in Capital Assets	$	38,085,361
Unrestricted		7,259,794
Total Net Position	$	45,345,155

The notes to the financial statements are an integral part of this statement.

Central Marin Sanitation Agency
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	2015
Operating Revenues:	
Service charges	$ 15,215,367
Contract maintenance revenues	1,352,202
Other operating revenues	433,371
Total operating revenues	17,000,940
Operating Expenses:	
Salaries and benefits	6,343,530
Facility operations	1,341,798
Repairs and maintenance	1,035,053
Permit testing and monitoring	130,687
Depreciation and amortization	3,491,240
Insurance	97,622
Utilities and telephone	429,324
General and administrative	550,139
Total operating expenses	13,419,393
Operating Income (Loss)	3,581,547
Nonoperating Revenues (Expenses):	
Interest and investment income	41,950
Interest expense	(2,108,649)
Other nonoperating revenue	830,223
Other nonoperating expense	(692,205)
Total nonoperating revenues (expenses)	(1,928,681)
Income (loss) before contributions	1,652,866
Capital contributions - capacity fees	415,845
Change in net position	2,068,711
Beginning net position	50,554,474
Prior period adjustment - GASB 68	(7,278,030)
Beginning net position - as adjusted	43,276,444
Ending net position	$ 45,345,155

The notes to the financial statements are an integral part of this statement.

Central Marin Sanitation Agency

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

	2015
Cash Flows from Operating Activities:	
Cash received from customers and users	$ 16,786,330
Cash payments to suppliers for goods and services	(3,592,074)
Cash payments to employees for services	(4,520,359)
Cash payments of benefits on behalf of employees	(2,446,366)
Net Cash Provided (Used) by Operating Activities	6,227,531
Cash Flows from Capital and Related Financing Activities:	
Cash received from capacity charges	415,845
Acquisition and construction of capital assets	(1,772,560)
Proceeds from bond issuances - net	54,829,078
Principal paid on capital debt	(57,645,000)
Interest paid on capital debt	(2,517,502)
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,690,139)
Cash Flows from Investing Activities:	
Investment income	39,059
Other income (expense)	38,598
Net Cash Provided (Used) by Investing Activities	77,657
Net Increase (Decrease) in Cash and Cash Equivalents	(384,951)
Cash and Cash Equivalents Beginning	20,431,200
Cash and Cash Equivalents Ending	$ 20,046,249
Reconciliation of Operating Income to Cash Flows Provided by Operating Activities:	
Operating Income (Loss)	$ 3,581,547
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	3,491,240
GASB 68 pension adjustments	(731,956)
(Increase) decrease in:	
Accounts receivable	(217,376)
Prepaid expenses	(7,142)
OPEB asset	17,501
Other current assets	10,666
Increase (decrease) in:	
Accounts payable	(10,975)
Accrued salaries and benefits	29,583
Unearned revenue	2,766
Compensated absences	61,677
Net Cash Provided (Used) by Operating Activities	$ 6,227,531
Summary of cash and cash equivalents:	
Cash and cash equivalents	$ 15,998,126
Restricted cash and cash equivalents	4,048,123
Total cash and cash equivalents	$ 20,046,249

The notes to the financial statements are an integral part of this statement.

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.

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.

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.

Deferred outflow of resources is a consumption of net assets by the Agency that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the Agency that is applicable to a future reporting period. For example, unearned revenue and advance collections.

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.

- Restricted - This component of net position consists of constraints placed on an assets 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 four member agencies, which provide wastewater collection and transmission to the treatment plant. Joint venture details are discussed in Note 6.

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. 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.

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 $2,500 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 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:

Waterwaste Treatment Facilities:	
Buildings	40 years
Other	5-25 years
Waterwaste Disposal Facilities	40-50 years
General Plant & Administrative Facilities	
Buildings	40 years
Other	5-30 years

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 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.

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. 68 – *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 (Issued 06/12). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of

Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement has been implemented as of June 30, 2015 resulting in a prior period adjustment of $7,728,030. The prior period adjustment is an actuarially determined number prepared by CalPERS using the assumptions identified in Note 9. Note 9 also includes more detailed information related to the financial statement impact of this statement.

GASB Statement No. 69 – In January, 2013, GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposal of government operations. As used in this Statement, *combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no financial statement effect related to this Statement.

GASB Statement No. 70 – In April, 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). The Agency does not participate in nonexchange financial guarantees. Therefore, this Statement had no financial statement effect.

GASB Statement No. 71 – In November, 2013, GASB issued Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement 68 and have been implemented as of June 30, 2015. See Note 9 for information related to the financial statement impact of this statement.

Upcoming New Accounting Pronouncements

GASB Statement No. 72 – In February, 2015, GASB issued Statement No 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (fiscal year ending June 30, 2016). The Agency is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Effective date: the provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement also clarifies the application of certain provisions of Statements 67 and 68. The Agency is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective date: the provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. Management anticipates that this statement will not have a direct impact on the Agency's financial statements.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective date: the provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. Based on the most recent valuation report prepared for the Agency's OPEB plan, the Agency will be required to report an unfunded actuarial accrued liability of $2,448,513 from the implementation of GASB 75.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective date: the provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Management anticipates that this statement will not have a material impact on the Agency's financial statements.

GASB Statement No. 77 – *Tax Abatement Disclosures*. Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material impact on the Agency's financial statements.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency's cash, cash equivalents and investments consisted of the following as of June 30, 2015:

	Available for Operations	Restricted	Fair Value June 30, 2015	Investment Rating	Maturities
Cash Deposits:					
Cash on Hand and in Banks - Book Balance	$ 357,954	$ -	$ 357,954	N/A	N/A
Petty Cash	462	-	462	N/A	N/A
Total Cash Deposits	358,416	-	358,416		
Investments:					
California Local Agency Investment Fund (L.A.I.F.)	15,284,695	-	15,284,695	Unrated	< 1yr
California Assets Management Program (C.A.M.P.)	355,015	4,048,123	4,403,138	AAAm	< 1yr
Total Investments	15,639,710	4,048,123	19,687,833		
Total Cash and Cash Equivalents	$ 15,998,126	$ 4,048,123	$ 20,046,249		

Restricted cash and cash equivalents include proceeds from the sale of Central Marin Sanitation Agency Revenue Bonds. The restricted cash and cash equivalents can be used solely for the purpose described in Note 5 - Long-Term Obligations.

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 $198,947 as of June 30, 2015. 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 paragraph.

Local Agency Investment Fund

LAIF allows local agencies such as the Agency to participate in a Pooled Money Investment Account managed by the State Treasurer 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, 2015, was approximately $69.6 billion. Of that amount, 99.24% was invested in non-derivative financial products and .76% in structured notes and asset-backed securities.

California Assets Management Program

The CAMP pool has a diverse credit risk allocation averaging a rating of AAAm*, per S&P ratings, and the pool's policy limits the concentration of credit risks such that not anyone issuer within the portfolio exceeded 17% of the total pool as of December 31, 2014 (most recent information available). The total amount invested by all public agencies in CAMP, as of December 31, 2014, was approximately $1.8 billion. Of that amount, 85% was invested in non-derivative financial products and 15% 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) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC. The fair value of the pool is not the same as the value of the pool shares.

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, 2015. 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 on page 20.
- *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.

- *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 on page 23 for the Agency's limitations on the amount that can be invested in any one issuer. As of June 30, 2015, the Agency invested 22% of its cash in CAMP and 78% in LAIF. There were no other investments in any one issuer that represent five percent or more of the total investments.

NOTE 4 - PLANT AND FACILITIES (CAPITAL ASSETS)

The Agency's plant and facilities capital assets consisted of the following as of June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable Plant and Facilities:				
Land and land improvements	$ 4,857,321	$ -	$ -	$ 4,857,321
Construction in progress	381,967	1,695,831	-	2,077,798
Total non-depreciable plant and facilities	5,239,288	1,695,831	-	6,935,119
Depreciable Plant and Facilities:				
Wastewater treatment facilities	127,029,826	466,766	-	127,496,592
Wastewater disposal facilities	13,644,906	-	-	13,644,906
General plant and administrative facilities	8,182,975	82,261	-	8,265,236
Total depreciable plant and facilities	148,857,707	549,027	-	149,406,734
Less accumulated depreciation for:				
Wastewater treatment facilities	50,210,159	2,953,954	-	53,164,113
Wastewater disposal facilities	8,964,959	323,519	-	9,288,478
General plant and administrative facilities	5,312,806	213,767	-	5,526,573
Total accumulated depreciation	64,487,924	3,491,240	-	67,979,164
Total depreciable plant and facilities - net	84,369,783	(2,942,213)	-	81,427,570
Total plant and facilities - net	$ 89,609,071	$ (1,246,382)	$ -	$ 88,362,689

Depreciation expense for the year ended June 30, 2015 was $3,491,240

NOTE 5 - LONG-TERM OBLIGATIONS

The Agency's long-term obligations consisted of the following as of June 30, 2015:

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
2006 Revenue Bonds	$ 57,645,000	$ -	$ 57,645,000	$ -	$ -
2006 Revenue Bonds Premium	790,509	-	790,509	-	-
2015 Refunding Revenue Bonds	-	49,310,000	-	49,310,000	2,095,000
2015 Refunding Revenue Bonds Discounts and Premiums - Net	-	5,015,451	-	5,015,451	-
Net Pension Liability	-	7,278,030	1,253,557	6,024,473	-
Compensated Absences	498,186	120,602	58,925	559,863	443,833
Total Long-term Obligations	$ 58,933,695	$ 61,724,083	$ 59,747,991	$ 60,909,787	$ 2,538,833

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 2006 Series Revenue Bonds debt service requirements were as follows as of June 30, 2015:

Year Ending June 30	Principal	Interest	Total
2016	$ 2,095,000	$ 1,564,224	$ 3,659,224
2017	2,195,000	1,773,094	3,968,094
2018	2,250,000	1,711,906	3,961,906
2019	2,330,000	1,643,206	3,973,206
2020	2,395,000	1,572,331	3,967,331
2021 - 2025	13,450,000	6,325,606	19,775,606
2026 - 2030	16,865,000	2,937,056	19,802,056
2031 - 2032	7,730,000	241,059	7,971,059
Total Debt Service	$ 49,310,000	$ 17,768,483	$ 67,078,483

NOTE 6 - JOINT VENTURES

The Agency serves as a regional wastewater treatment plant for its four member agencies and San Quentin State Prison (SQ) and is governed by a six-member Board of Commissioners, two appointed by the governing board of Sanitary District No. 1 (SD 1), two appointed by the governing board of San Rafael Sanitation District (SRSD), one appointed by the governing board of Sanitary District No.2 (SD 2), and one appointed by the City Council of the City of Larkspur (Larkspur). 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 SRSD, $1.6 million for SD 2, $1 million for Larkspur and $1.4 million for SQ.

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 7 - COMMITMENTS AND CONTINGENCIES

Construction commitments for capital project were satisfied in the normal course of business activities and were financed either from current operations or available cash in net position. Management was not aware of any new construction commitments at June 30, 2015.

NOTE 8 - 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). Risk sharing pools provide general and automobile liability and workers' compensation coverage. The pools operate to share risk among the members of the pool up to a limit of $15,500,000 and $750,000 for general liability and workers' compensation, respectively.

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 premium 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. Members share losses, which exceed the maximum premium assessment. Insurance purchasing pools provided property insurance and excess coverage to $15,000,000 on general liability and workers' compensation. Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2014 (most recent information available):

	June 30, 2014
Total Assets	$ 27,379,073
Total Liabilities	16,413,379
Total Equity	10,965,694
Total Revenues	10,812,970
Total Expenditures	11,887,608

NOTE 9 - 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, 2015, are summarized as follows:

	Tier 1	Tier 2	Tier 3
Hire date	Prior to January 1, 2013	After June 27, 2011; Before January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.0%	2.0%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	24%	8%	6.25%

Only information pertaining to the Agency's Tier 1 plan has been reported since the Tier 2 plan did not have a significant impact on the Agency's financial statements.

Employees Covered - At June 30, 2015, the following employees were covered by the benefit terms for the Plan:

Inactive employees receiving benefits	33
Transferred and seperated	15
Active members	39
Total Employees Covered	87

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, 2015, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$ 2,319,236
Contributions - employee	413,875

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

As of June 30, 2015, the Agency reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

Plan	Proportionate Share of Net Pension Liability
Miscellaneous	$ 6,024,473

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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.2929%
Proportion - June 30, 2014	0.2438%
Change	-0.0491%

For the year ended June 30, 2015, the Agency recognized pension expense as follows:

Unadjusted pension expense prior per GASB 68 implementation	$ 927,135
FY 2014-15 contributions deferred to FY 2015-16	(927,135)
Pension expense from change in net pension liability	675,985
Amortization of changes in projected and actual earnings	(480,806)
Pension expense - net	$ 195,179

At June 30, 2015, 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	$ 927,135	$ -
Adjustment due to differences in proportions	14,744	-
Amortization of differences in earnings and proportions	(5,266)	(486,072)
Net differences between projected and actual earnings on plan investments	-	1,944,286
Totals	$ 936,613	$ 1,458,214

The Agency reported $927,135 as deferred outflows of resources 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, 2016. 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 Ended June 30	Recognized to Pension Expense
2015	$ (480,806)
2016	(480,806)
2017	(481,860)
2018	(486,070)
Total	$ (1,929,542)

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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:

1% Decrease	6.50%
Net Pension Liability	$ 10,784,954
Current Discount Rate	7.50%
Net Pension Liability	$ 6,024,473
1% Increase	8.50%
Net Pension Liability	$ 2,073,726

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

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

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 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 a Comprehensive Annual 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.

Funding Policy

The Agency's annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC is $314,006. The plan members receiving benefits currently don't make contributions.

Annual OPEB Cost, Net OPEB Obligation and Funded Status and Progress.

The following table, based on the Agency's actuarial valuation as of July 1, 2013, shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's Net OPEB obligation (asset):

Annual required contribution	$ 314,006
Interest on net OPEB obligation	(1,501)
Adjustment to annual required contribution	1,501
Annual OPEB cost (expense)	314,006
Contributions made	(296,505)
Increase in net OPEB obligation	17,501
Net OPEB obligation (asset) - beginning	(19,376)
Net OPEB obligation (asset) - ending	$ (1,875)

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
June 30, 2013	$ 381,524	95.74%	$ (19,994)
June 30, 2014	$ 310,421	99.80%	$ (19,376)
June 30, 2015	$ 314,006	94.43%	$ (1,875)

The following summarizes the funded status and progress of the plan as of June 30, 2015:

Actuarial accrued liability (AAL)	$ 4,010,474
Actuarial value of plan assets	1,765,644
Unfunded actuarial accrued liability (UAAL)	$ 2,244,830
Funded ratio (actuarial value of plan assets/AAL)	44%
Projected covered payroll (active Plan members)	$ 4,099,618
UAAL as a percentage of covered payroll	55%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 7.61 percent investment rate of return (net of administrative expenses), inflation rate of 3 percent and an annual medical cost trend rate of 6.7 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after four years. The plan's unfunded actuarial accrued liability in each year is amortized on a level dollar basis over the closed 30-year period beginning July 1, 2009. The actuarial value of assets is equal to the fair value of plan assets, including any receivable contributions.

REQUIRED SUPPLEMENTARY INFORMATION

Central Marin Sanitation Agency
Schedule of Pension Contributions - CalPERS
June 30, 2015

		2015
Contractually Required Contributions (Actuarially Determined)	$	2,319,236
Contributions in Relation to Actuarially Determined Contributions		2,319,236
Contribution Deficiency (Excess)		**-**
Covered Employee Payroll	**$**	**4,418,991**
Contributions as a Percentage of Covered Payroll		**52.48%**

<u>Notes to Schedule:</u>

Valuation Date:	June 30, 2013
Assumptions Used:	Entry Age Method used fro Actuarial Cost Method
	Level Percentage of Payroll (Closed) Used Amortization Method
	3.8 Years Remaining Amortization Period
	Inflation Assumed at 2.75%
	Investment Rate of Returns set at 7.5%
	CalPERS mortality table using 20 years of membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown

Central Marin Sanitation Agency

Schedule of Proportionate Share of Net Pension Liability

June 30, 2015

		2015
Agency's Proportion of Net Pension Liability		0.09682%
Agency's Proportionate Share of Net Pension Liability	$	6,024,473
Agency's Covered Employee Payroll	$	4,418,991
Agency's Proportionate Share of NPL as a % of Covered Employee Payroll		**136.33%**
Plan Fiduciary's Net Position as a % of the TPL		**83.21%**

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown

Central Marin Sanitation Agency

Schedule of Funding Progress for the Retiree Health Benefit Plan

June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/2008	$ -	$ 3,805,000	$ 3,805,000	0.00%	$ 3,784,213	100.55%
7/1/2010	298,158	3,446,399	3,148,241	8.65%	3,899,232	80.74%
7/1/2011	676,399	3,548,448	2,872,049	19.06%	3,899,232	73.66%
7/1/2013	1,765,644	4,010,474	2,244,830	44.03%	4,099,618	54.76%

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan & Associates, LLP
Certified Public Accountants

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 *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Central Marin Sanitation Agency

We have audited, 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, the financial statements of the Central Marin Sanitation Agency (the "Agency") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 14, 2015.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 determination of financial statement amounts. 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*.

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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.

C & A LLP

October 14, 2015
San Jose, California

STATISTICAL SECTION

STATISTICAL SECTION
Overview

This part of the Agency's comprehensive annual 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.

Contents **Page**

Schedules 1-7: Financial Trends

These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being has changed over time.

Schedules 8-10: Revenue and Equivalent Dwelling Units

These schedules contain information to help the reader assess the Agency's most significant local revenue sources.

Schedules 11-12: Debt Capacity and Revenue Coverage

These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future.

Schedule 13-14: Demographic and Economic Information

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 15-16: Operational Information

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 activities it performs.

Central Marin Sanitation Agency
Statement of Net Position
(Formerly the Statement of Net Assets)

Schedule 1

Fiscal Year Ending June 30

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Investment in Capital Assets	$ 38,085,361	$ 36,352,645	$ 38,592,778	$ 39,015,640	$ 39,424,680	$ 40,913,010	$ 42,776,891	$ 41,758,701	$ 40,268,280	$ 41,203,699
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	7,259,794	14,201,829	13,337,772	12,651,278	11,513,682	10,264,178	6,896,628	6,323,289	5,778,181	3,584,320
Total Net Position	$ 45,345,155	$ 50,554,474	$ 51,930,550	$ 51,666,918	$ 50,938,362	$ 51,177,188	$ 49,673,519	$ 48,081,990	$ 46,046,461	$ 44,788,019

Notes:
The Agency had simultaneously implemented GASB No. 65 with GASB 63, which were two new Governmental Accounting Standards Board statements, in FY 2013 as of July 1, 2012.

The Agency implemented GASB No. 68 Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (Issued 06/12), in FY 2015 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

Statement of Revenues, Expenses and Changes in Net Position

(Formerly Changes in Net Assets)

Schedule 2

Fiscal Year Ended June 30	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-operating Revenues (Expenses)	Capital Contributions - Capacity Charges	Change in Net Assets	Beginning Net Assets	Prior Period Adjustment		Ending Net Assets
2015	$ 17,000,940	$ (13,419,393)	$ 3,581,547	$ (1,928,681)	$ 415,845	$ 2,068,711	$ 50,554,474	$ (7,278,030)	*	$ 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
2013	15,610,414	(13,582,756)	2,027,658	(2,560,242)	970,596	438,012	51,666,918	(174,380)	**	51,930,550
2012	15,081,377	(13,059,540)	2,021,837	(2,541,893)	93,919	(426,137)	50,938,362	1,154,693	***	51,666,918
2011	15,416,348	(13,064,390)	2,351,958	(2,664,933)	74,149	(238,826)	51,177,188			50,938,362
2010	15,248,891	(11,438,099)	3,810,792	(2,520,271)	213,148	1,503,669	49,673,519			51,177,188
2009	14,893,481	(11,371,776)	3,521,705	(1,994,842)	64,666	1,591,529	48,081,990			49,673,519
2008	12,196,165	(10,154,339)	2,041,826	(97,225)	90,928	2,035,529	46,046,461			48,081,990
2007	10,257,732	(9,936,796)	320,936	761,501	176,005	1,258,442	44,788,019			46,046,461
2006	7,668,872	(9,277,192)	(1,608,320)	867,858	283,825	(456,637)	45,244,656			44,788,019

* 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.

** The Agency had simultaneously implemented GASB 65 with GASB 63, two new Government Accounting Standards Board statements, as of July 1, 2012. This had resulted in a $(174,380) change in net position to expense Revenue Bond Series 2006 debt issuance costs. See Note #2 Summary of Significant Accounting Policies for additional information available on http://www.cmsa.us/finance/FY2012-13 CAFR.

*** Salary expense for time worked on the Agency's treatment plant expansion projects during fiscal years 2006-2011 were reclassified to capital assets.

Note:
The Agency implemented Governmental Accounting Standards Board GASB Statement No. 34 in fiscal year 2003-04 and restated fiscal year 2002-03 amounts for consistency. Amounts for prior years have accordingly been omitted.

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Operating Revenue by Source

Schedule 3

Fiscal Year Ended June 30	Service Charge	Contract Maintenance Revenue	Other Operating Revenue	Total Operating Revenues
2015	$ 15,215,367	$ 1,352,202	$ 433,371	$ 17,000,940
2014	14,722,581	1,226,428	384,435	16,333,444
2013	14,095,054	1,112,190	403,170	15,610,414
2012	14,396,006	296,377	388,994	15,081,377
2011	14,851,193	314,917	250,238	15,416,348
2010	14,587,726	351,621	309,544	15,248,891
2009	14,216,948	401,257	275,276	14,893,481
2008	11,343,061	591,782	261,322	12,196,165
2007	9,375,490	677,238	205,004	10,257,732
2006	7,145,692	424,986	98,194	7,668,872

Note:
The Agency had simultaneously implemented GASB No. 65 with GASB 63, two new Governmental Accounting Standards Board statements, in FY 2013 as of July 1, 2012.

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Operating Expenses

Schedule 4

Fiscal Year Ended June 30	Salaries & Benefits	Facility Operations	Repairs & Maintenance	Permit Testing & Monitoring	Depreciation	Insurance	Utilities & Telephone	General & Administrative	Total Operating Expenses
2015	$ 6,343,530	$ 1,341,798	$ 1,035,053	$ 130,687	$ 3,491,240	$ 97,622	$ 429,324	$ 550,139	$ 13,419,393
2014	8,585,875	1,340,334	1,175,412	110,372	3,562,656	97,325	471,656	504,139	15,847,769
2013	6,722,315	1,300,266	917,318	107,459	3,506,137	98,494	431,932	498,835	13,582,756
2012	6,340,897	1,317,942	593,504	90,890	3,633,904	93,614	383,934	604,855	13,059,540
2011	6,520,619	1,195,913	581,293	87,863	3,605,777	84,014	364,646	624,265	13,064,390
2010	6,107,007	1,268,649	545,498	89,672	2,263,687	90,282	379,155	694,149	11,438,099
2009	5,939,269	1,174,508	633,339	95,717	2,235,936	74,536	521,803	696,668	11,371,776
2008	5,403,786	982,732	349,730	106,460	2,198,294	71,781	487,697	553,859	10,154,339
2007	5,103,889	983,622	351,536	92,048	2,101,879	80,864	447,634	775,324	9,936,796
2006	4,636,246	1,017,184	334,812	79,615	2,053,383	80,764	548,083	527,105	9,277,192
2005	4,222,232	893,465	344,523	74,467	1,861,358	88,519	612,118	354,440	8,451,122

Notes:
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.

The Agency had simultaneously implemented GASB No. 65 with GASB 63, two new Governmental Accounting Standards Board statements, in FY 2013 as of July 1, 2012.

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	Other Non-operating Revenues		Interest Expense	Other Non-operating Expenses		Total Non-operating Revenues (Expenses)
2015	$ 41,950	$ 830,223		$ (2,108,649)	$ (692,205)		$ (1,928,681)
2014	40,744	47,496		(2,536,490)	(1,752)		(2,450,002)
2013	102,856	46,773		(2,702,688)	(7,183)		(2,560,242)
2012	65,417	113,436	*	(2,703,231)	(17,515)	*	(2,541,893)
2011	90,322	30,786		(2,781,096)	(4,945)		(2,664,933)
2010	133,558	195,638		(2,849,065)	(402)		(2,520,271)
2009	865,160	58,034		(2,918,036)	-		(1,994,842)
2008	2,879,424	48,006		(2,973,702)	(50,953)		(97,225)
2007	2,649,415	198,029		(2,079,289)	(6,654)		761,501
2006	132,165	737,181		-	(1,488)		867,858
2005	109,808	279,046		-	-		388,854
2004	65,883	33,844		-	-		99,727
2003	269,673	39,425		-	-		309,098

Note:
The Agency simultaneously had implemented GASB No. 65 with GASB 63, two new Governmental Accounting Standards Board statements, in FY 2013 as of July 1, 2012.

* Audited financial statements reported other non-operating revenue (expense) - net $95,921

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Contributed Capital by Source

Schedule 6

Fiscal Year Ended June 30	Connection Fee (Capacity Charges)
2015	$ 415,845
2014	588,251
2013	970,596
2012	93,919
2011	74,149
2010	213,148
2009	64,666
2008	90,928
2007	176,005
2006	283,825

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Contributed Capital by Capital Additions

Schedule 7

Fisal Year Ended June 30	Capital Additions
2015	$ 2,244,858
2014	2,180,163
2013	3,953,437
2012	5,736,508
2011	2,835,289
2010	14,947,046
2009	17,781,193
2008	16,548,014
2007	6,738,313
2006	1,703,078

Contributed capital additions reflect the value for the acquisition and/or construction of fixed assets for the reporting period.

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Major Revenue Rates and Base

Schedule 8

Fiscal Year Ended June 30	Sewer Service Charge per EDU		Debt Service Charge per EDU		Total Annual Service Charge	Connected Equivalent Dwelling Units (EDU's) (1)
2015	N/A	(2)	$ 111.49	(2)	$ 111.49	52,512
2014	N/A	(2)	111.69	(2)	111.69	52,161
2013	N/A	(2)	113.51	(2)	113.51	52,111
2012	169.74		115.19	(3)	284.93	50,525
2011	164.64		103.95		268.59	54,867
2010	156.80		103.44		260.24	55,941
2009	149.33		104.19		253.52	56,228
2008	142.22		71.63		213.85	56,258
2007	135.45		33.15		168.60	55,819
2006	128.77		-		128.77	55,490

Note (1):
EDU counts are provided annually to CMSA by the member agencies. An EDU generally is one household. In the case of multiple dwellings, the number of EDU's varies by units. Commercial EDU is based on water use. Industrial EDU is based on volume and strength of the wastewater flow.

Note (2):
The Agency no longer uses the EDU count to calculate the sewer service charge. The EDU count is still used to allocate debt service to each member agency.

Note (3):
Historically, the Debt Service Charge per EDU rate is equal to the adopted budget rate. The FY 2015 Adopted Budget EDU rate was $111.49 and upon receiving the final year end reduced EDU count, the rate was adjusted accordingly to correctly allocate debt service revenue to each JPA member agency based on their final EDU count. Debt service revenue is the funding source for the debt service obligation.

Source: Annual Agency Budgets

Central Marin Sanitation Agency
Annual Flows into CMSA in Million Gallons and Pounds
Volume and Strength of Wastewater Treated
April 1 to March 31

Schedule 9

The wastewater flow (volume) and strength (BOD & TSS) for each JPA member agency is used to determine its allocation of the CMSA SSC. Additional information about the how the SSC is calculated can be found in the Agency's FY 2015 Budget available on www.cmsa.us/finance.

A. Total Volume of Wastewater Flow into CMSA in million gallons

12-Month Period	SRSD	SD #1	SD #2	SQSP	Influent Flow
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
April 1, 2012 to March 31, 2015	1,528.91	1,993.15	422.70	160.46	4,105.22
April 1, 2011 to March 31, 2012	1,482.20	1,916.90	381.20	186.60	3,966.90
April 1, 2010 to March 31, 2011	1,814.70	2,389.80	471.20	244.80	4,920.50

B. Total Mass of Biological Oxygen Demand (BOD in pounds)

12-Month Period	SRSD	SD #1	SD #2	SQSP	Influent BOD
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
April 1, 2012 to March 31, 2013	4,242,574	3,532,865	748,430	457,428	8,981,297

C. Total Mass of Total Suspended Solids (TSS) in pounds

12-Month Period	SRSD	SD #1	SD #2	SQSP	Influent TSS
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
April 1, 2012 to March 31, 2013	6,396,936	4,325,587	1,171,099	1,067,135	12,960,757

Notes:

(1) Allocation of FY 2015 SSC is based on 36-month flow (April 1, 2011 to March 31, 2014) and 24 month strength (April 1, 2013 to March 31, 2015).

Allocation of treatment costs by Flow and Strength is as follows: Flow - 50.6%, BOD - 24.7%, TSS - 24.7%

(2) Allocation of FY 2014 SSC is based on 36-month flow (April 1, 2012 to March 31, 2014) and 12 month strength (April 1, 2013 to March 31, 2014).

Central Marin Sanitation Agency
Member Agencies and San Quentin Equivalent Dwelling Units (EDU's)

Schedule 10

Fiscal Year Ended June 30	Sanitary District #1 (Ross Valley)	City of Larkspur	San Quentin Prison	Sanitary District #2	San Rafael Sanitation District	Total EDUs	EDU Change from Prior Year	% Change from Prior Year
2015	19,666	2,982	4,005	6,216	19,643	52,512	351	0.7%
2014	19,498	2,949	4,005	6,006	19,703	52,161	50	0.1%
2013	19,511	2,997	4,005	6,116	19,482	52,111	1,586	3.1%
2012	18,835	3,079	3,247	5,955	19,409	50,525	(4,342)	-7.9%
2011	19,261	3,021	7,209	5,975	19,401	54,867	(1,074)	-1.9%
2010	19,709	3,050	7,529	6,078	19,575	55,941	(287)	-0.5%
2009	19,295	3,116	7,936	6,196	19,685	56,228	(30)	-0.1%
2008	19,112	3,107	8,227	6,195	19,617	56,258	439	0.8%
2007	19,074	3,057	8,215	6,091	19,382	55,819	329	0.6%
2006	18,842	3,085	7,883	6,094	19,586	55,490	2,817	5.3%

Note:
EDU counts are provided annually to CMSA by the member agencies. An EDU generally is one household. In the case of multiple dwellings, the number of EDU's varies by units. Commercial EDU is based on water use. Industrial EDU is based on volume and strength of the wastewater flow. The EDU becomes the basis of revenue allocation when determining debt service charge revenue which is the funding source to repay debt service.

Source: Annual Agency Budgets

Central Marin Sanitation Agency
Revenue Bonds
Principal Debt Outstanding

Schedule 11

Fiscal Year Ended June 30 **(1)**	Refunding Revenue Bonds Series 2015 Principal **(2)**	Revenue Bonds Series 2006 Principal **(3)**	Total Equivalent Dwelling Units (EDU) **(4)**	Principal Balance Per EDU	As a Share of Personal Income **(5)**	As a Share of Personal Income **(6)**	Fiscal Year Beginning Balance at July 1st for Bonds Premium	Premium Deduction	Total Revenue Bonds and Premium
2015	$ 49,310,000	-	52,512	$ 939	N/A	N/A	$ 5,015,451	-	$ 54,325,451
2014		57,645,000	52,161	1,105	N/A	N/A	836,558	(46,049)	58,435,509
2013		59,685,000	52,111	1,145	N/A	N/A	882,607	(46,049)	60,521,558
2012		61,640,000	50,525	1,220	N/A	N/A	928,656	(46,049)	62,522,607
2011		63,520,000	54,867	1,158	N/A	N/A	974,705	(46,049)	64,448,656
2010		65,325,000	55,941	1,168	N/A	N/A	1,020,754	(46,049)	66,299,705
2009		67,060,000	56,228	1,193	N/A	N/A	1,066,803	(46,049)	68,080,754
2008		68,730,000	56,258	1,222	N/A	N/A	1,112,852	(46,049)	69,796,803
2007		68,730,000	55,819	1,231	N/A	N/A	1,147,389	(34,537)	69,842,852

Fiscal Year Ended June 30	Due Within One Year and Future Debt Service Principal	Future Principal per FY 2015 Reported EDU	Future Debt Service Interest	Future Interest per EDU	Total Principal and Interest	Total Future Principal and Interest per EDU
2016	$ 2,095,000	$ 40	$ 1,564,224	$ 30	$ 3,659,224	$ 70
2017	2,195,000	42	1,773,094	34	3,968,094	75.57
2018	2,250,000	43	1,711,906	33	3,961,906	75.45
2019	2,330,000	44	1,643,206	31	3,973,206	75.66
2020	2,395,000	46	1,572,331	30	3,967,331	75.55
2021-2025	13,450,000	256	6,325,606	120	19,775,606	376.59
2026-2030	16,865,000	321	2,937,056	56	19,802,056	377.10
2031-2032	7,730,000	147	241,059	5	7,971,059	151.80
TOTAL DEBT SERVICE	$ 49,310,000	$ 939	$ 17,768,483	$ 338	$ 67,078,483	$ 1,277

Central Marin Sanitation Agency
Revenue Bonds
Principal Debt Outstanding

Schedule 11

Note **(1)**: FY 2007 was the first year of debt service activity, therefore 10 years of data is not available.

Note **(2)**: The Refunding Revenue Bonds Series 2015 was issued to retire the Revenue Bonds Series 2006 during FY 2015. The revenue bond was issued at lower borrowing rates which resulted in an average annual savings of approximately $866,000 over the 17 year repayment period. Details regarding the Agency's outstanding debt can be found in Note 5 in the financial statements. Principal payments are due September 1 each year.

Note **(3)**: The Agency refunded and retired the Revenue Bonds Series 2006 through the Refunding Bonds Series 2015 issuance during FY 2015 see Note (2).

Note **(4)**: The equivalent dwelling units (EDU) shown on Schedule 10 are reported to the Agency by its member agencies and becomes the basis of revenue allocation when determining debt service charge revenue which is collected to repay debt service. Therefore, the most relevant and measurable statistic to express total debt service outstanding is as a cost per EDU.

Note **(5)**: Personal income for all Marin County is shown on Schedule 12. It is not a relevant statistic to report principal balance as a percent of total income because that data is not available for the Agency's service area. Marin covers 520 square miles, of which 43.5 are within the Agency's service area.

Note **(6)**: Total population for all Marin County is shown on Schedule 12. It is not a relevant statistic to report principal balance as a percent of total income because that data is not available for the Agency's service area as explained in Note (5).

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Pledged Revenue Coverage

Schedule 12

Fiscal Year Ended June 30 (1)	Operating Revenue	Total Operating Expenses Less Depreciation	Non-Operating Revenue (Expense) & Contributions	Less Operating Expenses Funded by Reserves (2)	Net Revenue (3)	Rate Stabilization Fund (4)	Revenue Bonds Debt Service: Principal	Revenue Bonds Debt Service: Interest	Revenue Bonds Debt Service: Total	Debt Service Coverage Ratio (5)
2015	$ 17,000,940	$ 9,928,153	$ 595,813		$ 7,668,600		$ 2,135,000	$ 2,108,649	$ 4,243,649	1.81
2014	16,333,444	12,285,113	674,739	1,553,800	6,276,870		2,040,000	2,536,490	4,576,490	1.37
2013	15,610,414	10,076,619	1,113,042		6,646,837		1,955,000	2,702,688	4,657,688	1.43
2012	15,081,377	9,425,636	255,257		5,910,998	640,000	1,880,000	2,703,231	4,583,231	1.43
2012	15,081,377	9,425,636	255,257		5,910,998		1,880,000	2,703,231	4,583,231	1.29
2011	15,416,348	9,458,613	190,312		6,148,047		1,805,000	2,781,096	4,586,096	1.34
2010	15,248,891	9,174,412	541,942		6,616,421		1,735,000	2,849,065	4,584,065	1.44
2009	14,893,481	9,135,840	987,860		6,745,501		1,670,000	2,918,036	4,588,036	1.47
2008	12,196,165	7,956,045	3,018,358		7,258,478		-	2,973,702	2,973,702	2.44
2007	10,257,732	7,834,917	3,023,449		5,446,264		-	2,079,289	2,079,289	2.62

Note **(1)**: FY 2007 was the first year of the debt service activities, therefore no prior year data is available. Principal revenue bond debt service payments are due September 1 every fiscal year.

Note **(2)**: In FY 2014 the Board approved using unrestricted capital reserves to fund this CalPERS Side Fund payment thereby reducing future retirement expenses.

Note **(3)**: Net Revenue = Operating Revenue less Total Operating Expenses less Depreciation plus Non-Operating Revenue(Expense).

Note **(4)**: Pursuant to the October 6, 2006 Master Indenture Agreement the Agency is allowed to transfer net revenues in excess of 125% of debt service coverage within 365 days after the end of a fiscal year from the Revenue Fund Surplus into the Rate Stabilization Fund. The amounts transferred are treated as Net Revenues in future fiscal years for the sole purpose of computing the Debt Service Coverage Ratio (see Note 4). The Agency instructed the bond trustee, Deutsche Bank, to transfer FY 2011 operating revenue considered to be in excess of the required coverage ratio into a Rate Stabilization Fund for use in calculating the FY 2012 Debt Service Coverage Ratio. There was no restatement of operating revenues for the FY 2011 financial statements. There was no impact on the FY 2012 financial statements as the transfer had a net effect of zero on the Statement of Net Assets.

(FY 2012 Debt Service Coverage Ratio is shown with and without the Rate Stabilization Fund to demonstrate debt coverage was achieved with and without the Rate Stabilization Fund transfer)

Note **(5)**: Debt Service Coverage Ratio = Net Revenue divided by Total Revenue Bond Debt Service. This ratio must be above 1.25 to meet the Master Indenture agreement between CMSA and the Bond Trustee. Alternative calculation for Debt Coverage Ratio is Net Revenue plus Rate Stabilization Fund divided by Total Revenue Bond Debt Service

Source: Central Marin Sanitation Agency Audited Financial Statements

Central Marin Sanitation Agency
Demographic and Economic Statistics

Schedule 13

Fiscal Year Ended June 30	County Population (1)	US Census Bureau County Population (2)	Personal Income (in thousands) (3)		Per Capita Personal Income (3)		County Unemployment Rate (1)	
2015	N/A	N/A	N/A		N/A		3.8%	
2014	258,324	N/A	$25,716,754	(a)	$98,626	(a)	4.6%	
2013	255,778	N/A	24,409,302		94,310		5.6%	(b)
2012	254,882	N/A	23,910,814		93,349		6.9%	
2011	254,359	N/A	22,161,655		86,768		8.1%	
2010	252,731	252,409	20,092,753		79,454		8.4%	
2009	259,772	N/A	19,671,154		78,414		6.2%	
2008	257,968	N/A	21,693,293		87,333		4.0%	
2007	255,592	N/A	21,566,520		87,580		3.7%	
2006	253,561	N/A	21,396,797		87,484		3.5%	

Note **(a)**: Marin County CA1 Personal Income and CA1-3 Per Capita Personal Income last updated by Bureau of Economic Analysis November 19, 2015

Note **(b)**: Unemployment rate figure is the Marin County average monthly unemployment rate for the period July 2014 through June 2015

Source: (1) State of California Employment Development Department Labor Market Info website: **www.labormarketinfo.edd.ca.gov**

(2) California Department of Finance from data files released by the US Census Bureau website:
http://www.dof.ca.gov/research/demographic/
http://2010.census.gov/2010census/

(3) US Department of Commerce Bureau of Economic Analysis (BEA) website:
www.bea.gov/iTable

Central Marin Sanitation Agency
Ten Largest Employers Statistic

Schedule 14

Ten Largest Employers in the CMSA Service Area (1)	Type of Entity	Source	Employee Headcount Available As Of	Number of Employees FY 2015	Percentage of Total Marin County Employment (2)	Number of Employees FY 2014	Percentage of Total Marin County Employment (2)	Number of Employees FY 2013	Percentage of Total Marin County Employment (2)	Number of Employees FY 2012	Percentage of Total Marin County Employment (2)	Number of Employees FY 2011	Percentage of Total Marin County Employment (2)
San Quentin State Prison	State Government	http://www.cdcr.ca.gov/Facilities_Locator/SQ-Institution_Stats.html	FY 13	1,832	1.35%	1,832	1.34%	1,832 *	1.36%	2,058	1.59%	2,058	1.72%
Marin General Hospital	Hospital	Human Resources Department	2013	1,650 *	1.22%	1,650 *	1.20%	1,650 *	1.22%	1,505	1.16%	1,505	1.26%
Golden Gate Transit	Transit District	FY 14 Adopted Budget	2014	775	0.57%	775	0.57%	838 *	0.62%	838	0.65%	838	0.70%
Dominican University	University	Human Resources Department	June 2015	1,000 *	0.74%	745 *	0.54%	745 *	0.55%	745	0.58%	745	0.62%
City of San Rafael	Government	City of SanRafael website: 2015-2016 Authorized Positions Revised	FY 16	390	0.29%	383	0.28%	387	0.29%	387	0.30%	400	0.33%
San Rafael City Schools	School District	Human Resources Department	2009	355 *	0.26%	355 *	0.26%	355 *	0.26%	355	0.27%	355	0.30%
College of Marin	College District	http://www.marin.edu/fiscal/fiscal-reports.html#budgets	FY 15 Budget	328	0.24%	354	0.26%	474 *	0.35%	650	0.50%	650	0.54%
Tamalpais Union High School District	School District	http://www.tamdistrict.org/cms/lib8/CA01000875/Centricity/Domain/19/2014%202015%20Budget%20Adoption%20Full%20Report%206-25-14.pdf pages 3-5	FY 15 Budget	310 *	0.23%	353 *	0.26%	353 *	0.26%	353	0.27%	353	0.29%
Kentfield Rehabilitation & Hospital	Hospital	Human Resources Department	June 2011	344 *	0.25%	344 *	0.25%	344 *	0.25%	344	0.27%	344	0.29%
Marin Muncipal Water District	Water District	http://www.marinwater.org/273/Management-Finance	FY 14/FY 15 & FY16/FY17 Budgets	246	0.18%	244	0.18%	239	0.18%	238	0.18%	236	0.20%

	Number of Employees FY 2010	Percentage of Total Marin County Employment (2)	Number of Employees FY 2009	Percentage of Total Marin County Employment (2)
San Quentin State Prison	2,058	1.73%	2,058	1.65%
Marin General Hospital	1,505	1.26%	1,506	1.21%
Golden Gate Transit	838	0.70%	838	0.67%
Dominican University	777	0.65%	705	0.57%
City of San Rafael	416	0.35%	437	0.35%
San Rafael City Schools	355	0.30%	355	0.29%
College of Marin	650	0.54%	696	0.56%
Tamalpais Union High School District	353	0.30%	353	0.28%
Kentfield Rehabilitation & Hospital	307	0.26%	307	0.25%
Marin Muncipal Water District	265	0.22%	262	0.21%

Note **(1)**: CMSA service area largest employers: FY 09 was the first year the Ten Largest Employers was reported in the CAFR.
Note **(2)**: Total county employment is 135,400 at June 30, 2015 and is sourced from www.labormarketinfo.edd.ca.gov Historical Data Library.
Employment statistics by cities within Marin County is not available.

* Estimated number of employees for 2015 using the last reported headcount provided by each employer.

Central Marin Sanitation Agency
Authorized Staffing by Department Function

Schedule 15

Authorized Staffing by Department	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Administration	6	6	6	6	6	6	7	5	5	6
Environmental Services	5	5	5	5	5	5	5	5	5	5
Maintenance **(1)**	13	14	13	13	13	13	12	12	12	12
Operations	13	13	13	13	14	14	14	15	15	15
Engineering	3	3	3	3	2	2	2	2	2	2
Safety Director Program **(2)**	1	1	1	1	1	1	1	1	1	1
Agency Total	41	42	41	41	41	41	41	40	40	41

Note **(1)**: Temporary addition of 1 position in FY 2014 to support succession planning reorganization.
Note **(2)**: The Safety Director Program is a shared services position with CMSA Administration one one local wastewater agency.

Source: Central Marin Sanitation Agency records

Central Marin Sanitation Agency
Treatment Capacity and Wastewater Treatment

Schedule 16

Millions of Gallons per Day

Treatment Plant	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Treatment Plant Permitted Capacity	10	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Average Dry Weather Flow **(1)**	4.7	5.6	5.8	6.1	6.2	6.2	6.9	5.9	6.4	7.6
Wastewater Treated per day	7	7.9	8.9	8.0	10.6	10.3	8.7	8.7	8.0	12.7

Wet Tons per Year

	FY 2015	FY 2014	FY 2013	2012	2011	2010	2009	2008	2007	2006
Biosolids Treated	5,882	5,450	6,107	6,344	6,267	6,013	6,217	6,331	5,686	6,497

Note **(1)**: Average Dry Weather Flow is based on the average of the 3 lowest months of flow (generally July, August and September).

Source: Central Marin Sanitation Agency records

CENTRAL MARIN SANITATION AGENCY
Agency Information
June 30, 2015

I. General Information

Authority	Joint Powers Agreement
Date of formation	October 1979
Governing body	Board of Commissioners appointed by member agencies:
	Sanitary District No. 1 of Marin County - 2 appointees Sanitary District No. 2 of Marin County - 1 appointee San Rafael Sanitation District (SRSD) - 2 appointees City of Larkspur - 1 appointee
Chief Executive Officer	General Manager
Chief Fiscal Officer	Administrative Services Manager
Type of service	Wastewater collection, treatment and disposal
Number of Authorized Positions	41

II. Contact Information

<u>Member Agency Contact Information:</u>

Sanitary District No. 1 of Marin County
2960 Kerner Blvd
San Rafael, CA 94901
415) 259-2949

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
P.O. Box 151560
San Rafael, CA 94915-1560
(415) 454-4001

City of Larkspur
400 Magnolia Street
Larkspur, CA 94939
(415) 927-5032

<u>Retirement Plans Contact Information:</u>

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

Source: Central Marin Sanitation Agency

Appendix A

Agency Purpose, Vision, and Mission

AGENCY PURPOSE, VISION, AND MISSION

PURPOSE

Central Marin Sanitation Agency shall provide wastewater treatment, disposal, and related environmental services to protect public health and enhance environmental quality within its service area comprised of Sanitary District Number 1 of Marin County, Sanitary District Number 2 of Marin County, and the San Rafael Sanitation District.

VISION

Central Marin Sanitation Agency will be an industry leader in providing efficient wastewater treatment and disposal services in a manner that is fully compliant with regulations and is economically and environmentally sustainable over the long term.

MISSION

Central Marin Sanitation Agency will achieve its purpose and vision by:

- Operating and maintaining the wastewater treatment plant and related facilities in a safe, sustainable, efficient, and effective manner.
- Managing and protecting its assets and investments through sound financial policies and business practices.
- Providing quality service through long-range planning and appropriate use of technology.
- Encouraging discussion and development of strategies for addressing regional wastewater issues.
- Maintaining a diverse work place that fosters professional growth, teamwork, succession planning, and job satisfaction.
- Educating the public on water, wastewater, and environmental issues.

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 that is 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 $2,500 or more that is used to newly purchase a capital asset with a useful life of one year 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 capital projects, delineated by type of capital project and funding source, over ten fiscal years. The CIP is a planning document that provides the Agency with an opportunity to evaluate and assess its capital 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 the FOG & Pollution Prevention 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 as a result 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 sewage flow(s) to CMSA from JPA member agencies, measured in millions of gallons and collected for the previous April 1 to March 31 will be used to calculate the sewer service charge and allocate to each JPA member agency for its respective portion of the sewer charge beginning FY 2013.
- **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 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, and other miscellaneous revenue sources.
- **PROGRAM REVENUES**: The Agency is the lead coordinator for the Safety Director, Countywide Education, and Outside Safety Training 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 not available for immediate use and set aside for specific, contractual 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.
- **SERVICE CHARGE (SC)**: A fee for wastewater treatment service and payment of the revenue bond debt service.
- **SEWER SERVICE CHARGE (SSC)**: A fee for wastewater treatment service 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.
- **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

AM	Asset Management
B2E	Biosolids-to-Energy
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
BWA	Bartle Wells Associates
CAMP	California Asset Management Program (see Interest Income)
CASA	California Association of Sanitation Agencies
CCT	Chlorine Contact Tank
CEC	California Energy Commission
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
CSRMA	California Sanitation Risk Management Authority
CUPA	Certified Unified Program Agencies
CWEA	California Water Environment Association
DBOO	Design, Build, Own, Operate
DDSD	Delta Diablo Sanitation District
EDU	Equivalent Dwelling Unit
ELAP	Environmental Laboratory Approval Program
EPMC	Employer Paid Member Contribution
F2E	Food-to-Energy

FOG	Fats, Oils and Grease program (see Contract Service Revenues)
FSE	Food Service Establishment(s)
FTE	Full Time Equivalent (a position converted to decimal equivalent of a full time position)
FY	Fiscal Year
G&A	General & Administrative
GASB	Government Accounting Standards Board
GHG	Greenhouse Gas
JEPA	Joint Exercise of Powers Agreement
JPA	Joint Powers of Authority
LBNL	Lawrence Berkeley National Laboratories
LED	Light-emitting Diodes
LGVSD	Las Gallinas Sanitary District (see Contract Service Revenues)
MOU	Memorandum of Understanding
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)
OPEB	Other Post-Employment Benefits
PCA	Pretreatment Compliance Audit
PIER	Public Interest Energy Research
RAS	Return Activated Sludge
RFP	Request for Proposal
RFQ	Request for Qualifications
RWB	Regional Water Board
SAMP	Strategic Asset Management Program
SBP	Strategic Business Plan
SC	Service Charge
SCADA	Supervisory Control and Data Acquisition (a monitoring and control software system)
SD #1	Sanitary District No. 1, JPA Member (aka RVSD, Ross Valley Sanitary District)
SD #2	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
TCSD	Tamalpais Community Services District (see Contract Service Revenues)
TSS	Total Suspended Solids
USA	Underground Service Alert