CENTRAL MARIN SANITATION AGENCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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CENTRAL MARIN SANITATION AGENCY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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MAZE & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Central Marin Sanitation Agency (Agency), California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Agency, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of a Matter

During the year ended June 30, 2024, it was noted that there was a error of capitalization of a capital asset in the prior year as noted in Note 7 and 14. As a result, the beginning balance of capital assets and net position increased in the amount of $88,155 as of July 1, 2023.

The emphasis of this matter does not constitute a modification to our opinions.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Central Marin Sanitation Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
October 23, 2024

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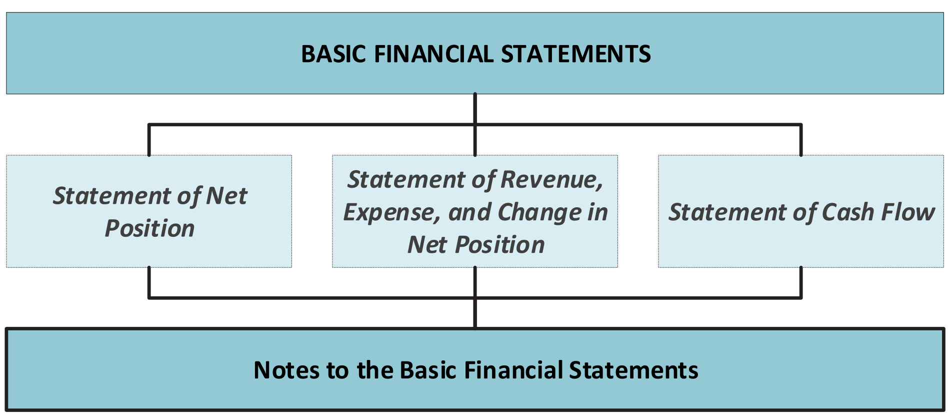
The purpose of management's discussion and analysis (MD&A) is to help Agency customers and other readers understand what the financial statements and notes in this financial report say about the Agency's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the Administration Department staff's knowledge of the Agency's finances.

If you have questions about this report or would like further information, please contact the Agency located at 1301 Andersen Drive San Rafael, CA 94901 or by calling (415) 459-1455.

Overview of the Financial Statements

The Agency's financial statements contain two components, *Basic Financial Statements* and *Notes to the Basic Financial Statements*.

Figure 1 – Contents of the Agency's Financial Statements



The *Basic Financial Statements* have three individual statements:

- *<u>Statement of Net Position</u>*: This statement presents information on the Agency's assets, deferred outflows, liabilities, and deferred inflows as year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or worsening.

- *<u>Statement of Revenues, Expenses and Changes in Net Position</u>*: This statement presents the results of the Agency's operations over the course of the fiscal year and information as to how net position changed during the year. These statements can be used as an indicator of the extent to which the Agency successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement from items that will result in future cash flows.

- *Statement of Cash Flows*: This statement presents the changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt, and excludes non-cash accounting measures of depreciation or amortization.

The *Notes to the Basic Financial Statements* delve deeper into the Agency's finances as reported in the *Basic Financial Statements*. The information in the *Notes to the Basic Financial Statements* is as important to understanding the Agency's finances as the information in the *Basic Financial Statements*. The Agency uses this component to (1) present information in greater detail than is possible within the *Basic Financial Statements* themselves, (2) explain the nature of amounts in the *Basic Financial Statements* and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the *Basic Financial Statements* (such as certain contingencies).

Types of Information in the Financial Statements

The Agency's financial report uses the *economic resources measurement focus* and *accrual basis of accounting*. In other words, they comprehensively report all of the below elements:

- *Assets*: Resources the Agency controls, from short-term assets like cash to long-term assets like equipment and treatment facility infrastructure.

- *Liabilities*: Amounts the Agency owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.

- *Deferred Outflows of Resources* and *Deferred Inflows of Resources*: Flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues* and *Expenses*: Inflows and outflows of economic resources, respectively, related to the current year.

More detail about the measurement focus and basis of accounting can be found in *Note 2 – Summary of Significant Accounting Policies*.

Analysis of the Agency's Finances

Table 1 - Comparative Condensed Statement of Net Position
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	(Restated) 2023	$ Change	% Change
Total assets:				
Cash and cash equivalents	$ 22,711	$ 21,868	$ 842	3.9 %
Other current assets	4,818	4,349	469	10.8 %
Restricted cash and investments	905	209	696	332.7 %
Capital assets, net	80,332	80,863	(530)	(0.7) %
Other noncurrent assets	317	381	(64)	(16.9) %
Total assets	109,083	107,670	1,413	1.3 %
Deferred outflows of resources	8,317	12,945	(4,628)	(35.8) %
Total liabilities:				
Current liabilities	6,428	5,144	1,283	24.9 %
Bonds payable, net	43,325	47,254	(3,929)	(8.3) %
Other noncurrent liabilities	9,493	9,558	(65)	(0.7) %
Total liabilties	59,246	61,957	(2,711)	(4.4) %
Deferred inflows of resources	7,965	7,468	497	6.7 %
Net position:				
Net investment in capital assets	43,446	40,733	2,713	6.7 %
Restricted net position	905	209	696	332.7 %
Unrestricted net position	5,837	10,248	(4,411)	(43.0) %
Total net position	$ 50,189	$ 51,191	$ (1,001)	(2.0) %

The Agency's total net position decreased $1 million, or 2%, between fiscal year 2024 and 2023. The overall decrease is attributable to total assets increasing $1.41 million, or 1.3%, offset by total deferred outflows of resources decreasing $4.63 million, or 35.8%, and total liabilities decreasing $2.71 million, or 4.4%. Each total category is further detailed out below:

- Cash and cash equivalents overall increased by $0.84 million, or 3.9%, from conducting essential operation of the wastewater treatment plant facility and following through on the capital improvement program (CIP). Significant drivers of the net increase include greater regional service charge (RSC) collections paid for by the joint powers authority (JPA) members, more interest income received due to higher interest rates, and collection of $1.5 million in CalRecycle grant proceeds. The greater collections, however, were offset by routine payments to its employees, vendors, and bondholders. Further detail on the Agency's cash flow activity can be reviewed on the *Statement of Cash Flows*.

- Restricted cash and investments increased by $0.69 million, or 332.7%, primarily from the Agency's annual contribution to its Internal Revenue Code Section 115 pension trust following its pension funding plan.

- Deferred outflows of resources decreased by $4.63 million, or 35.8%, primarily due to the California Public Employees Retirement System (CalPERS) fully recognizing and beginning amortization of the Agency's $9.43 million pension obligation bond (POB) contribution. Actuarial recognition of Agency contributions is performed on a two-year lag due to when CalPERS performs their assessment of Agency pension investments and liability calculations. Amortization of excess contributions follow a five-year period.

- Current liabilities increased by $1.28 million, or 24.9%, primarily due to an increase of approximately $0.81 million in CIP activity in May 2024 and June 2024 that were paid in July 2024, an increase of approximately $0.21 million in accrued leave payments due to several retirements expected in early fiscal year 2025, and further principal paydown of the Agency's bond obligations of approximately $0.27 million.

- Bonds payable decreased by $3.93 million, or 8.3%, due to the Agency paying down its bond obligations following the relevant bond indenture agreements.

- Deferred inflow of resources increased by $0.49 million, or 6.7%, primarily due to CalPERS earning approximately 5.8% on the pension plan assets in fiscal reporting year 2024. This positive return increased the pension plan's assets that sufficiently funded the current year benefit payments. Positive rates of return, however, are recognized as a current year long-term liability and amortized over a five-year period. For further detail on CalPERS' investment rate of return, please refer to CalPERS' fiscal year 2023 Annual Comprehensive Financial Report (ACFR) located at https://www.calpers.ca.gov/.

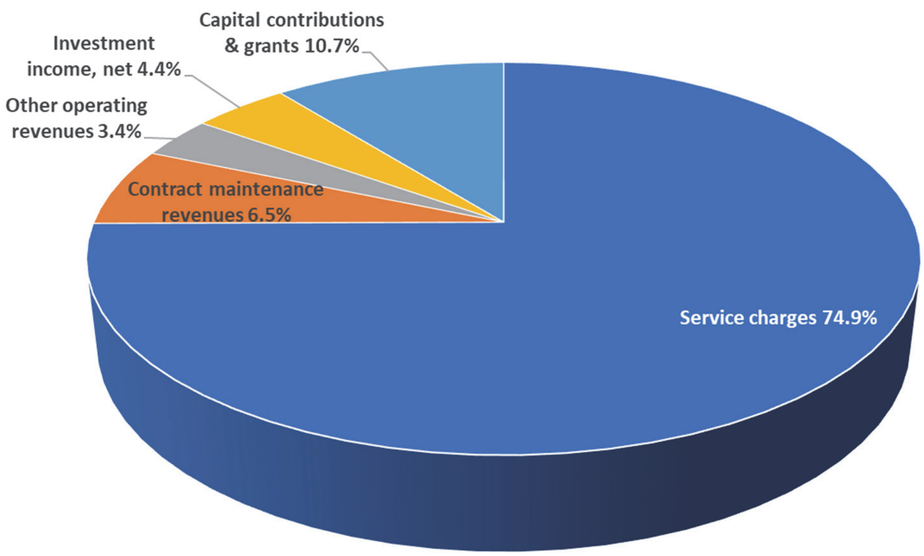
The activity within the various components of net position, i.e., net investment in capital assets, restricted net position, and unrestricted net position, reflect the above changes impacting the components.

Table 2 - Comparative Statement of Revenue, Expense and Changes in Net Position
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	(Restated) 2023	$ Change	% Change
Revenues:				
Service charges	$ 19,568	$ 18,820	$ 748	4.0 %
Contract maintenance revenues	1,695	1,857	(162)	(8.7) %
Contract safety & education	135	116	19	16.3 %
Leasing income	109	69	39	57.0 %
Renewable energy sales	64	55	9	15.5 %
Discharge permit fees	42	56	(14)	(25.1) %
Source control inspection fees	96	99	(3)	(2.7) %
Waste hauler service fees	412	298	114	38.4 %
COVID & illegal substance sampling fees	43	34	9	27.3 %
Investment income (expense), net	1,160	478	682	142.5 %
Other non-operating rev (exp)	(115)	29	(145)	(491.9) %
Total revenue	23,208	21,911	1,297	5.9 %
Expenses:				
Salaries & benefits	14,654	10,921	3,734	34.2 %
Biosolids management	413	440	(27)	(6.2) %
Chemicals & fuel	1,912	1,659	253	15.2 %
Repairs & maintenance	1,754	665	1,089	163.8 %
Permit testing & monitoring	207	204	3	1.3 %
Insurance	570	410	160	38.9 %
Utilities & telephone	428	446	(18)	(4.1) %
General & administrative	738	800	(63)	(7.8) %
Depreciation & amortization	4,893	4,497	396	8.8 %
Interest expense	1,445	1,540	(95)	(6.1) %
Total expenses	27,013	21,582	5,431	25.2 %
Income / (loss) before cap contributions	(3,805)	329	(4,134)	(1255.6) %
Capital contributions & grants	2,803	1,568	1,235	78.8 %
Change in net position	(1,001)	1,897	(2,899)	(152.8) %
Net position - beginning	51,191	49,293	1,897	3.8 %
Net position - ending	$ 50,189	$ 51,191	$ (1,001)	(2.0) %

The Agency's total change in net position decreased by $1 million between fiscal year 2024 and 2023. The decrease is primarily attributable to the year-over-year increases in total revenue of $1.3 million and capital contributions of $1.24 million offset by increases in total expense of $5.43 million. Significant changes within total revenue and capital contributions are discussed together with significant changes within expenses being discussed separately.

Figure 2 – Revenue By Source



Note 1: "Other operating revenues" includes contract safety & public education, leasing income, renewable energy sales, wastewater discharge permit fees, source control inspection fees, waste hauler service fees, and COVID & illegal substance sampling fees.

Note 2: Other non-operating revenue (expense) is included in the Expense By Source chart due to it being a net expense balance.

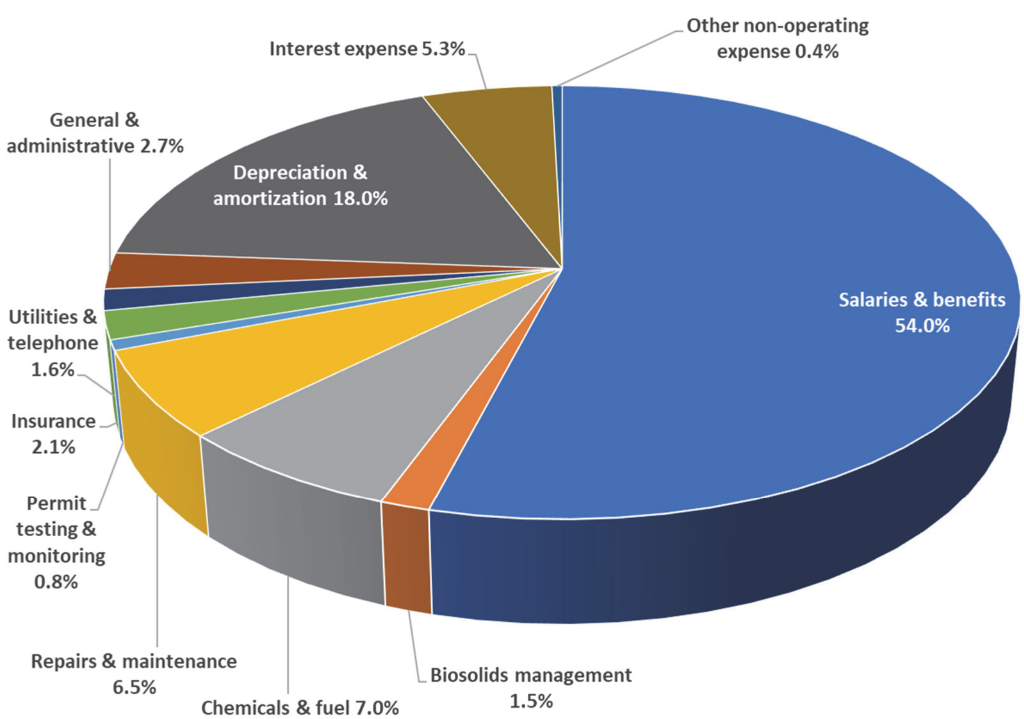
- Service charges, which account for 74.9% of the Agency's total current year revenue, increased $0.75 million, or 4%, between fiscal year 2024 and 2023. The increase is driven by the Agency's Board of Commissioner approved Revenue Plan in November 2023. Total service charges are comprised of RSCs, capital fees, debt service charges, and debt coverage fees, of which were all approved in the aggregate to increase by 4% going into fiscal year 2024.

- Contract maintenance revenues, which account for 6.5% of the Agency's total current year revenue, decreased $0.16 million, or 8.7%, between fiscal year 2024 and 2023. The decrease is attributable to completion of capital projects at the San Quentin pump station. The cost of the capital project activity is reimbursable to the Agency and will likely re-occur in the future as the San Quentin representatives approve of the Agency's recommended capital asset rehabilitation or improvement projects.

- Investment income (expense), net, which account for 4.4% of the Agency's total current year revenue, increased $0.68 million, or 142.5%, between fiscal year 2024 and 2023. The increase is attributable to both the Local Investment Agency Fund (LAIF) investing its portfolio into higher coupon Treasury securities thereby earning more interest and a recovery in the fair market value of the same portfolio. Market interest rates have steadily been declining due to the United States Federal Reserve's interest rate policy thereby causing the fair market value of Treasury securities to increase in value. The fair value of Treasury securities increase when market interest rates decrease.

- Capital contributions & grants, which account for 10.7% of the Agency's total current year revenue, increased $1.24 million, or 78.8%, between fiscal year 2024 and 2023. The increase is attributable to both collecting more capacity charges from the JPA members and invoicing the next reimbursement request to the State of California under the CalRecycle grant program. Capacity charge collection is tethered to building activity within the service area, which began to increase as borrowing rates began to decrease leading to increased home improvement activity. The next CalRecycle reimbursement request was submitted at completion of the Liquid Organic Waste Receiving Facility capital project.

Figure 3 – Expense by Use



- Salaries & benefits, which account for 54% of the Agency's total current year expense, increased \$3.73 million, or 34.2%, between fiscal year 2024 and 2023. The increase is primarily attributable to CalPERS actuarially recognizing the POB contribution resulting in additional pension expense as the excess contribution is being amortized following accounting policy. Amortization of excess contributions follows a five-year plan. Salaries & benefits also increased because of the 4.5% cost-of-living adjustment (COLA) approved within the employee collective bargaining agreements as well as a 6.6% cost escalation observed in the health insurance markets as a result from higher medical costs. Otherwise, the Agency's personnel count as well as benefits plan offerings and structure have remained fairly consistent year-over-year.

- Chemicals & fuel, which account for 7% of the Agency's total current year expense, increased \$0.25 million, or 15.2%, between fiscal year 2024 and 2023. The increase is primarily due to persistent cost inflation permeating throughout the US economy in selected areas. In particular, there is greater demand for the disinfecting chemical, Sodium Hypochlorite, for industrial cleaning and sanitation purposes.

- Repairs & maintenance, which account for 6.5% of the Agency's total current year expense, increased \$1.09 million, or 163.8%, between fiscal year 2024 and 2023. The increase is primarily due to the Agency performing process piping condition assessments at the Biotowers, Primary Clarifiers, Primary Effluent and Secondary Effluent areas, as well as an assessment at the Outfall area, and entering into a multi-year servicing agreement with Northeast-Western for the Jenbacher cogeneration engine. For further detail, please refer to the *Major Initiatives* subsection within the *Introduction* section of the ACFR.

- Insurance, which account for 2.1% of the Agency's total current year expense, increased \$0.16 million, or 38.9%, between fiscal year 2024 and 2023. The increase is primarily driven by insurance premium increases in both the property and workers' compensation policies. Property insurance is heavily swayed by the economic activity of the property market, of which has been experiencing severe turbulence because of natural disasters (hurricanes, flooding, wildfires, etc.), property market values, as well as financial market interest rates, resulting in greater pooled losses. The workers' compensation insurance premium increased due to the Agency experiencing more claims leading to greater losses needing to be made up by the insurance pool participants.

- Depreciation & amortization, which account for 18% of the Agency's total current year expense, increased \$0.39 million, or 8.8%, between fiscal year 2024 and 2023. The increase is due to the Agency continuing to rehabilitate and improve its wastewater treatment facility infrastructure and place into service newly purchased equipment following its approved CIP. For further detail on capital asset activity, please refer to section *Significant Capital Asset and Long-Term Financing Activity*.

Significant Capital Asset and Long-Term Financing Activity

The discussion thus far has only touched upon certain significant transactions and events during fiscal year 2024 that may impact capital assets and long-term debt. The below subsections discuss in further detail significant capital asset project activity, equipment procurement, and long-term debt activity used for funding the CIP.

Capital Assets

The Agency has allocated a significant amount of resources into a variety of capital assets for performing its essential operations. This includes land and associated improvements, wastewater treatment and disposal infrastructure, equipment, and software applications.

Table 3 - Comparative Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	(Restated) 2023	$ Change	% Change
Land and land improvements	$ 5,800	$ 5,511	$ 289	5.2 %
Construction-in-progress	1,011	1,958	(947)	(48.4) %
Wastewater treatment facility	67,584	66,861	723	1.1 %
Wastewater disposal facility	1,574	1,857	(283)	(15.3) %
General, plant and admin facilities	4,239	4,505	(266)	(5.9) %
Intangible right-of-use assets	4	11	(8)	(66.7) %
Intangible right-of-use subscriptions	122	160	(38)	(23.8) %
Total capital assets, net	$ 80,332	$ 80,863	$ (530)	(0.7) %

The Agency's total capital assets, net of accumulated depreciation and amortization, decreased $0.53 million, or 0.7%, between fiscal year 2024 and 2023. The primary drivers for this decrease are continued depreciation and amortization of the wastewater treatment facility infrastructure and associated equipment, along with disposals of rehabilitated capital assets. Depreciation and amortization are ongoing costs to estimate wear-and-tear of a capital asset from its usage, and the current year experienced an increase from completion of capital projects and placing into service new equipment. Capital asset disposals are a routine part to the Agency's operations in so far as the replacement of older equipment is re-occurring.

Regarding new capital additions during the fiscal year, the Agency annually prepares a CIP plan that details the Agency's capital projects, equipment procurement, and needed maintenance programs. Some of the capital projects are completed throughout the fiscal year, while others are carried forward. Once completed, depreciation begins reducing the carrying value. Significant capital projects that were completed and purchased equipment placed into service during fiscal year 2024 are:

Capital Project / Equipment Purchase Activity	**Amount *(in thousands)***
FY24 Pavement Repair Project	$ 285
2023 Andersen Hillside Slope Repairs	289
Secondary Clarifier #2 Rehabilitation	547
Biosolids Hopper Structural Repairs	237
Liquid Organic Waste Removal Facility Rehabilitation	3,126
Wastewater facility improvements	296
Wastewater facility equipment	561
General & administrative equipment	124
Total completed capital asset additions	$ 5,465

The capital projects that are still in progress are carried forward as construction in progress are the following:

Capital Project Activity	**Amount *(in thousands)***
Primary Clarifier #1 Rehabilitation	$ 542
Diesel Underground Storage Tank Replacement	40
Nutrient Removal	8
Centrifuge Replacement	270
Headworks Grit Classifiers Replacement Project	150
Total ongoing capital projects	$ 1,011

For further detail on the Agency's capital assets, please refer to *Note 7 – Plant and Facilities (Capital Assets)*. For further detail on the Agency's CIP plan, please refer to the CIP project descriptions within the Budget located here: https://www.cmsa.us/finance/documents/.

Long-Term Debt

The Agency has issued several bond obligations, both through the public marketplace and via private placement, to carry out its operations. The publicly issued tax-exempt revenue bonds were sold at a combination of a premium and a discount on certain tranches in 2015 and 2020. The 2015 issuance was used to refund the original 2006 revenue bond into a lower costing obligation, and the 2020 issuance was used to fund several CIP projects. The original 2006 revenue bond was publicly issued with the proceeds being used for funding capital projects. Meanwhile, the private placement bond was sold at par in 2022, and was used to refund the Agency's unfunded actuarial pension liability into a lower costing fixed debt obligation.

Table 4 - Comparative Oustanding Bond Obligations, Net of Unamortized Premium and Discount
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	2023	$ Change	% Change
2015 refunding revenue bond	$ 29,674	$ 32,808	$ (3,134)	(9.6) %
2020 revenue bond	8,088	8,485	(397)	(4.7) %
2022 pension obligation bond	9,136	9,266	(130)	(1.4) %
Total outstanding bonds, net	$ 46,898	$ 50,559	$ (3,661)	(7.2) %

The Agency's total outstanding bond obligations, net of unamortized premiums and discounts, decreased $3.66 million, or 7.2%, between 2024 and 2023. This decrease is due to the Agency continually repaying its debt obligations following the terms of the debt agreements. The current year annual debt service on the principal balance is $3.31 million for all obligations, and the current year net non-cash bond premium and discount amortization resulted in $0.36 million following accounting policy. The Agency otherwise did not issue any new bond obligations. For further detail, please refer to *Note 8 – Long-Term Obligations*.

All bond obligations are subject to periodic review by various credit agencies, such as Standard & Poor's (S&P) and Moody's. As of fiscal year 2024, the Agency's credit ratings on its bonds from S&P and Moody's respectively are "AA" and "Aa2".

Furthermore, all revenue bond obligation indenture agreements include covenants which require the Agency to collect sufficient net revenues each fiscal year for payment of debt service. The benchmark threshold for all bond obligations is at least 1.25 times annual debt service. The annual debt service ratio for fiscal year 2024 is 2.28 times, meaning the Agency has collected sufficient funds to meet its required rate covenant under the terms of the indenture agreements.

The Agency lastly is not subject to any debt limitations.

Additional details concerning the Agency's indenture agreements and offering statements are available at https://www.emma.msrb.org.

Currently Known Facts, Decisions, or Conditions

The Agency is aware of six developments that will have either an impact on the Agency's financial position or a significant impact on next year's results. Many of these expected events were built into the upcoming budget for long-term planning:

1) Updated revenue plan
2) Salaries and benefits COLA update
3) Persistent cost inflation in procurement activities
4) Deferred capital projects
5) OPEB plan assumption changes
6) Pension plan funding

Updated Revenue Plan

In November 2023, the Board adopted an updated multi-year Revenue Plan where the Agency's total service charges, which includes regional service charges, capital fees, debt service charges, and coverage fees, were to all increase at an annual rate of 4.5% instead of 4% going into fiscal year 2025. The intent of the upward revision was to provide relief to the Agency's forecasted operating budget shortfall given the rising cost of chemical procurement noted.

Salaries and Benefits COLA Update

Going into the upcoming fiscal year, the salary COLA for all Agency employees was determined to be 3.667% following the annual calendar year average consumer price index (CPI) for all urban consumers within the San Francisco-Oakland-Hayward, CA area. The collective bargaining agreements allow for annual COLA updates following the annual percentage change in the CPI with a minimum of 1% and an allowable maximum of 4.5%.

In addition to the salary COLA, the Agency is further expecting an average 6.6% cost increase in Agency employee health insurance costs. The cost is driven by significantly higher healthcare medical costs from plan retirees for the entire health insurance pool. Health insurance is purchased through CalPERS' health insurance exchanges.

Persistent Cost Inflation in Procurement Activities

The US and global economy are still weathering the impacts of persistent inflation. As of June 2024, the US Bureau of Labor Statistics reported CPI with all items, food, energy, rent, and all other goods and services, growing at an average rate of 3%. This is still below the average rate of 9.1% reported in June 2022; however, inflation is still above the US Federal Reserve's target inflation rate of 2% that the institution deems to be sustainable. This effects the Agency's procurement activities, especially with its purchasing of routine chemicals for disinfecting purposes. The Agency, as such, is budgeting for further cost increases.

procurement activities, especially with its purchasing of routine chemicals for disinfecting purposes. The Agency, as such, is budgeting for further cost increases.

Deferred Capital Projects

Over fiscal year 2024, the Agency completed and worked on several capital projects resulting in growth in the Agency's gross capital asset balance. However, the Agency had to defer several of the planned project activities due to longer equipment delivery schedules, regulatory approvals, and rescheduling of capital projects. The Agency annually updates a ten-year CIP plan that allocates resources to each fiscal year based on the Agency's risk assessment of which specific areas within the Treatment Plant facility requiring attention. The original adopted fiscal year 2025 capital budget, the second year within the two-year biannual budget cycle, was adjusted from $6.65 million to be $10.11 million because of these impacts. This $3.45 million budgetary increase will impact the Agency's upcoming financial net position.

OPEB Plan Assumption Changes

The Agency has elected to decrease the discount rate applied for the calculation of the net OPEB liability from 7.28% to 6.75%. The decrease is to conservatively account for CalPERS' forecasted drop in the California Employers' Retirement Benefit Trust (CERBT) net return in the investment portfolio. This change in assumption results in both lowering the projected fiduciary net position of the OPEB plan and increasing the total OPEB liability on an actuarial basis. So, the Agency's non-cash OPEB expense is projected to increase impacting the change in net position. For further detail, please refer to *Note 14 – Other Post Employment Benefits (OPEB)* and the *Required Supplementary Information* for a historical view.

Pension Plan Funding

In fiscal year 2022, the Agency refunded the majority of its unfunded actuarial pension liability (UAL) into a fixed rate POB. The Agency further set up a pension reserve trust fund in fiscal year 2022 following *Financial Policy #556 – Pension Funding Policy* to either offset its future pension cost or defease callable outstanding POB debt service. Total contributions to date to the pension trust is $0.88 million with the current year contribution being $0.67 million. Contributions are based on budgetary savings between the original twenty-year CalPERS UAL amortization schedule at the point of refunding less any debt service on the POB and actual UAL payment made to CalPERS. The Agency's current year US GAAP pension funding ratio is 88% and 89.6% on a pro forma basis with the pension trust demonstrating an improvement in financial position from the prior year. Contributions to the pension trust are expected to decrease to $0.36 million going into the upcoming fiscal year due to escalating debt service cost on the POB following the amortization schedule. However, the Agency's total pension funded position is going to remain within the 90% pro forma funded range, especially given CalPERS achieving a preliminary 9.3% rate of return on its PERF C portfolio.

Table 5 - Comparative Pension Funding
June 30, 2024 and 2023
(Amounts expressed in thousands)

	2024	2023	$ Change	% Change
Total pension liability	$ 57,033	$ 54,807	$ 2,226	4.1 %
Fiduciary net position (PERF C)	50,188	47,855	2,333	4.9 %
Net pension liability (asset) - *US GAAP*	6,845	6,952	(106)	(1.5) %
Funding ratio - *US GAAP*	88.0 %	87.3 %	*n/a*	0.7 %
Section 115 pension trust	904	208	696	335.1 %
Net pension liability (asset) - *pro forma*	$ 5,941	$ 6,744	$ (803)	(11.9) %
Funding ratio - *pro forma*	89.6 %	87.7 %	*n/a*	1.9 %

As shown above, the Agency's pension funding ratio has improved over the past fiscal year due to both CalPERS achieving a positive investment rate of return of 5.8% and the Agency continuing to fund its pension trust. As such, the Agency's financial position is expected to improve because of its pension funding situation. For further detail, please refer to *Note 13 – Defined Benefit Pension Plan* and the *Required Supplementary Information* for a historical view.

The succeeding sections of the Financial Statements include the *Basic Financial Statements*, *Notes to the Basic Financial Statements*, and *Required Supplementary Information* that support the analysis within the MD&A.

Financial Statements

CENTRAL MARIN SANITATION AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 3)	$22,710,787
Accounts receivable	2,221,723
Lease receivable (Note 5)	63,711
Accrued interest receivable	240,141
Prepaid expenses	42,538
Deposits (self-insured dental) (Note 4)	15,868
Inventory - parts and fuel	2,234,180
Total current assets	27,528,948
NON-CURRENT ASSETS	
Restricted cash and investments (Note 3)	905,396
Prepaid insurance on bond issuance	20,039
Lease receivable, noncurrent (Note 5)	296,613
Capital assets - non-depreciable (Note 7)	6,810,692
Capital assets - depreciable, net (Note 7)	73,521,773
Total non-current assets	81,554,513
TOTAL ASSETS	109,083,461
DEFERRED OUTFLOWS OF RESOURCES	
Loss on early retirement of long-term debt (Note 9)	1,150,010
Related to pension (Note 14)	6,439,353
Related to OPEB (Note 14)	727,589
TOTAL DEFERRED OUTFLOWS	8,316,952
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	1,812,154
Accrued salaries and employee benefits	177,882
Interest payable on revenue bonds	519,817
Current portion of right-of-use lease liability (Note 5)	4,091
Current portion of right-of-use SBITA (Note 6)	26,330
Current portion of compensated absences payable (Note 8)	314,334
Current portion of bonds payable (Note 9)	3,573,000
Total current liabilities	6,427,608
NON-CURRENT LIABILITIES	
Right-of-use SBITA (Note 6)	97,345
Compensated absences payable (Note 8)	730,987
Bonds payable, net of premium and discount (Note 9)	43,325,345
Net pension liability (Note 13)	6,845,166
Net OPEB Liability (Note 14)	1,819,874
Total non-current liabilities	52,818,717
TOTAL LIABILITIES	59,246,325
DEFERRED INFLOWS OF RESOURCES	
Lease income (Note 5)	311,544
Related to pension (Note 13)	6,870,744
Related to OPEB (Note 14)	782,559
TOTAL DEFERRED INFLOWS OF RESOURCES	7,964,847
NET POSITION	
Net investment in capital assets	43,446,484
Restricted for pension trust	904,096
Resticted for revenue bond trust	1,300
Restricted for pension obligation bond trust	53
Unrestricted	5,837,308
TOTAL NET POSITION	$50,189,241

See accompanying notes to financial statements

CENTRAL MARIN SANITATION AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES	
Service charges	$19,567,809
Contract maintenance revenues	1,694,712
Contract safety and public education program	134,745
Leasing income	108,666
Renewable energy sales	63,757
Wastewater discharge permit fees	42,207
Source control fees	96,291
Waste hauling service fees	411,939
COVID and illegal substance sampling fees	43,443
Total operating revenues	22,163,569
OPERATING EXPENSES	
Salaries and benefits	14,654,491
Biosolids management	412,515
Chemicals and fuel	1,911,621
Repairs and maintenance	1,753,982
Permit testing and monitoring	206,743
Insurance	570,090
Utilities and telephone	427,641
General and administrative	737,774
Depreciation and amortization	4,893,277
Total operating expenses	25,568,134
OPERATING INCOME (LOSS)	(3,404,565)
NONOPERATING REVENUES (EXPENSES)	
Interest and investment income (expense)	1,159,924
Interest expense on long-term debt	(1,444,918)
Other non-operating revenue (expenses)	(115,177)
Total nonoperating revenues (expenses), net	(400,171)
Income (loss) before capital contributions	(3,804,736)
CAPITAL CONTRIBUTIONS	
Capacity fees	1,152,938
Federal and State grant proceeds	1,650,501
CHANGES IN NET POSITION	(1,001,297)
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY STATED	51,102,383
PRIOR PERIOD ADJUSTMENT (Note 17)	88,155
NET POSITION, BEGINNING OF YEAR AS RESTATED	51,190,538
NET POSITION, END OF YEAR	$50,189,241

See accompanying notes to financial statements

CENTRAL MARIN SANITATION AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from JPA member service charges	$19,899,617
Receipts from contractual collection system maintenance	1,486,277
Receipts from contractual county education and safety programs	121,845
Receipts from leasing activities	71,198
Receipts from renewable energy sales	71,819
Receipts from permits, source control, waste hauler and other	480,165
Payments to employees and related benefits	(9,411,180)
Payments to vendors for goods and services	(5,318,826)
Net cash provided (used) by operating activities	7,400,915
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Receipts from capacity charges	986,988
Receipts from federal and state grant proceeds	1,556,349
Acquisition of capital assets	(4,506,528)
Principal payment on capital long-term debt	(3,219,960)
Interest paid on capital long-term debt	(1,329,628)
Net cash provided (used) by capital financing activities	(6,512,779)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Principal payment on pension obligation bonds	(130,000)
Interest paid on pension obligation bonds	(309,154)
Cash Flows (used for) Capital and Related Financing Activities	(439,154)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends received	836,065
Purchases of Section 115 pension trust investments	(675,370)
Receipts from borrowers of computer purchase program	1,750
Payments to borrowers of computer purchase program	(1,750)
Net cash provided (used) by investing activities	160,695
NET CASH FLOWS	609,677
Cash, beginning of year	22,177,839
Cash, end of year	$22,787,516

CENTRAL MARIN SANITATION AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	($3,404,565)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation (less amortization on bond insurance)	4,890,614
Other non-operating income (loss)	30,996
Change in assets and liabilities:	
(Increase) / decrease accounts receivable	(14,864)
(Increase) / decrease lease receivable	60,894
(Increase) / decrease prepaid expenses	6,520
(Increase) / decrease inventory	(118,287)
(Increase) / decrease other current assets	(11,274)
(Increase) / decrease prepaid bond insurance	2,663
(Increase) / decrease deferred outflows - pension and OPEB	4,441,572
Increase / (decrease) accounts payable	813,312
Increase / (decrease) accrued salaries and benefits	23,742
Increase / (decrease) compensated absences	39,054
Increase / (decrease) net pension liability	(106,358)
Increase / (decrease) net OPEB liability	249,890
Increase / (decrease) deferred inflows - retirement and lease	497,006
Total adjustments	10,805,480
Net cash provided by operating activities	$7,400,915
Total unrestricted cash	$22,786,163
Total restricted cash	1,353
Add: fair value adjustment for short-term investments	(75,376)
Total cash and cash equivalents	$22,712,140

See accompanying notes to financial statements

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Notes to the Financial Statements

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NOTE 1 – NATURE OF ORGANIZATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

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

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

Basis of Presentation

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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

Statement of Net Position

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

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

- Restricted – This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Agency applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Revenues, Expenses, and Changes in Net Position

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

Joint Ventures

The Agency is the locus of a joint powers agreement among its three member agencies, which provide wastewater collection and transmission to the treatment plant. Joint venture details are discussed in Note 10.

Cash and Investments

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Market approach – This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach – This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach – This approach converts future amounts (such as cash flows) into a current discounted amount.

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

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

Statement of Cash Flows

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

Plant and Facilities Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Costs of feasibility studies are accumulated in construction-in- progress. If the study results in a capital asset addition, these costs are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Alternately, costs not resulting in a capital asset addition are expensed through operating expenses. Feasibility studies, when used, are considered necessary for maintaining the efficient operations of the treatment plant.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Leases Receivable

Lease receivables are recognized based on the future base rental income to be received over the lease term. The receivable value is estimated by discounting the future cash flows by the implicit interest rate stated within the lease agreement. The value of the receivable is to be presented at net carrying value. Over the life of the receivable, rental interest income is earned as the receivable is amortized based on the collected payments.

Right-to-Use Lease Assets and Liabilities

Lease or subscription arrangements where the Agency serves as lessee, the contract life is greater than one year, and the capitalized asset is greater than the capitalization threshold are capitalized as a component of capital assets and debt obligations. The total value is estimated using the future cash payments over the total lease or subscription term discounted to the present from the implicit interest rate stated in the lease or subscription agreement. The asset recognized is presented at net amortized cost which is based on a straight-line method of amortization. The liability recognized is presented at net carrying value which is amortized using the effective interest rate method. Interest expense is recognized as a result of the liability amortization.

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 liabilities along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The net pension liability or asset, deferred outflows of resources, deferred inflows of resources, and pension expense are actuarially determined on the same basis reported by the California Public Employees' Retirement System (CalPERS). The allocated net pension liability or asset is measured as the present value of projected benefit payments to be provided to retired employees participating within the Miscellaneous Plan less the pension trust fund (PERF C) investments held at CalPERS. Investments are reported at fair value. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Other Post-Employment Benefits (OPEB)

The net OPEB liability or asset, deferred outflows of resources, deferred inflows of resources, and OPEB expense are actuarially determined by an independent actuary. The net OPEB liability or asset is measured as the portion of the present value of projected benefit payments to be provided to retired employees that meet the eligible service requirements less the OPEB trust fund investments. Investments are measured at fair value. Benefit payments are further recognized when currently due and payable in accordance with the benefit terms.

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.

Implemented New Accounting Pronouncements

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting for Changes and Error Corrections.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for reporting periods beginning after June 15, 2023, or the fiscal year 2023-24. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement is effective for reporting periods beginning after December 15, 2023, or the fiscal year 2024-25. The Agency early adopted this statement, but it did not have a material effect on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming New Accounting Pronouncements

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement is effective for reporting periods beginning after June 15, 2024, or the fiscal year 2024-25. The Agency does not anticipate that the Statement will have a material effect on the financial statements.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements.* The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for reporting periods beginning after June 15, 2025, or the fiscal year 2025-26. The Agency does not anticipate that the Statement will have a material effect on the 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, 2024:

Cash and Investments	Carrying Amount	Fair Value	Investment Rating	Maturities
Business-type Activities:				
Cash Deposits:				
Unrestricted cash	$1,905,097	$1,905,097	N/A	N/A
Restricted cash	905,396	905,396	N/A	N/A
Petty Cash	440	440	N/A	N/A
Total Cash Deposits	2,810,933	2,810,933		
Investments:				
California Local Agency Investment Fund	20,460,734	20,385,358	Unrated	< 1 year
California Asset Management Program	419,892	419,892	AAAm	< 1 year
Total Investments	20,880,626	20,805,250		
Total Cash and Investments	$23,691,559	$23,616,183		

Cash Deposits

Bank balances are insured up to $250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). The actual bank statement balance of the Agency's cash in bank exceeded the insured limit by $1,722,878 as of June 30, 2024. The difference between the book balance and the bank statement balance was for outstanding checks. None of the Agency's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the Agency's accounts met the collateral and categorization requirements as noted in the following paragraphs.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value Measurements

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

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

The Agency has the following recurring fair value measurements as of June 30, 2024:

- California Local Agency Investment Fund (LAIF) of $20,385,358; valued using Level 2 inputs. The LAIF fair value factor at June 30, 2024 was 0.996316042.

California Local Agency Investment Fund

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

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

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

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

The total amount invested by all public agencies in LAIF, as of June 30, 2024, was approximately $170.8 billion. The balance in LAIF is available for withdrawal on demand.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

California Assets Management Program

The CAMP pool has a diverse credit risk allocation averaging a rating of AAAm, per S&P ratings. The total amount invested by all public agencies in CAMP, as of June 30, 2024 was approximately $11.9 billion. Of that amount, 69% was invested in non-derivative financial products and 31% was invested in repurchase agreements. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC. The plan has elected to be measured at amortized cost for financial reporting purposes per GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The plan's net assets, portfolio holdings, are valued at amortized cost based on trade date.

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 below provisions as of and for the year ended June 30, 2024. The Agency's investment policy follows the California Government Code which authorizes the Agency to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and Local Agency Bonds, Notes and Warrants	5 years		100%	None
Registered State bonds, Notes and Warrants	5 years		100%	None
U.S. Treasury Obligations	5 years		100%	None
Federal Agency Securities	5 years		20%	30%
Banker's Acceptances	180 days	A-1	25%	20%
Prime Commercial Paper	270 days	AA-1	25%	20%
Negotiable Certificates of Deposit	5 years	A-1	30%	20%
Repurchase Agreements	1 year	AA	100%	None
Reverse Repurchase Agreements	92/30 days		20% of base	None
Medium-term Notes	5 years	AA	30%	20%
Money Market Mutual Funds	N/A		10%	10%
Mortgage Pass-through Securities	N/A		30%	None
California Local Agency Investment Fund	N/A		account	None
Passbook Savings Account Demand Deposits	N/A		20%	20%

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Risk Disclosures

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

- *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The Agency manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The sensitivity of the Agency's investments to interest rate risk is displayed in the summary schedule of cash and cash equivalents at the top of Note 3.

- *Credit Risk* – Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service. The Agency's minimum legal rating is not applicable to the LAIF and CAMP investment pools.

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

  The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. In the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. Neither the California Government Code nor the Agency's investment policy contains legal or policy requirements that would limit the exposure to custodial risk.

- *Concentration of Credit Risk* – See the chart in investment policy for the Agency's limitations on the amount that can be invested in any one issuer. As of June 30, 2024, external investment pools were not subject to a limitation. As of June 30, 2024, 86% of the Agency's investments were in LAIF. There were no other investments in any one issuer that represent five percent or more of the total investments.

NOTE 4 – SELF-INSURED DENTAL DEPOSIT

The Agency analyzed third-party dental insurance plans and determined that it would be fiscally beneficial to self-insure. Funds have been deposited into a separate account which is used to pay employee dental expenses to dentists for authorized procedures. The funds from this deposit are drawn down monthly and replenished automatically by the trustee. At June 30, 2024, the balance in the self-insurance account was $15,868.

NOTE 5 – LEASES

Leases as Lessee

The Agency, as lessee leases a copier with terms from January 2020 through December 2024. The original cost of the copier was $37,979. As of June 30, 2024, the copier has a carrying amount of $3,798, net of accumulated amortization of $34,181.

The following is a schedule of future minimum principal and interest payments to be paid under the lease entered into by the Agency as lessee that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2024.

For the Year Ended June 30	Principal	Interest	Total
2025	$4,091	$40	$4,131
Totals	$4,091	$40	$4,131

For the year ended June 30, 2024, amortization expense was $7,596.

Leases as a Lessor

The Agency, as lessor, leases an unused portion of the corporation year as a parking facility for Marin Airporter to park their buses. The lease has a term of five years with optional five one-year extensions beginning July 2019.

The following is a schedule of the future minimum rentals to be received under the lease entered into by the Agency as lessor that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2024.

For the Year Ended June 30	Principal	Interest	Total
2025	$63,711	$9,537	$73,248
2026	67,706	7,651	75,357
2027	71,880	5,647	77,527
2028	76,238	3,520	79,758
2029	80,789	1,265	82,054
Totals	$360,324	$27,620	$387,944

NOTE 6 – SUBSCRIPTIONS-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Agency utilizes various computer software applications in the course of normal operations. Most of the software is paid for on an annual basis and is expensed as costs are incurred. The Agency has one subscription for Microsoft with terms from January 2023 through December 2028. The original value of the subscription was $162,321. As of June 30, 2024, the subscription has a carrying amount of $126,675 net of accumulated amortization of $40,580.

	Balance June 30, 2023	Retirements	Balance June 30, 2024	Current Balance
Subscription Liabilities				
Software Subscriptions	$149,375	($25,700)	$123,675	$26,330
Total Subscription Liabilities	$149,375	($25,700)	$123,675	$26,330

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

For the Year Ended June 30	Principal	Interest	Total
2025	$26,330	$2,708	$29,038
2026	26,976	2,062	29,038
2027	27,637	1,401	29,038
2028	28,315	723	29,038
2029	14,417	102	14,519
Totals	$123,675	$6,996	$130,671

NOTE 7 – PLANT AND FACILITIES (CAPITAL ASSETS)

The Agency's plant and facilities capital assets consisted of the following as of June 30, 2024:

	Orignial Balance June 30, 2023	Prior Period Adjustment	Adjusted Balance June 30, 2023	Additions	Disposals & Adjustments	Transfers	Balance June 30, 2024
Non-depreciable capital assets:							
Land and land improvements	$5,510,600		$5,510,600			$289,206	$5,799,806
Construction-in-process	1,958,156		1,958,156	$4,113,017	($281,126)	(4,779,161)	$1,010,886
Total non-depreciable capital assets	7,468,756		7,468,756	4,113,017	(281,126)	(4,489,955)	6,810,692
Depreciable capital assets:							
Wastewater treatment facilities	146,960,746		146,960,746	561,215	(3,074,728)	4,445,700	148,892,933
Wastewater disposal facilites	13,746,112		13,746,112			44,255	13,790,367
General plant and administrative facilities	11,146,076		11,146,076	124,335	(339,838)		10,930,573
Right of use assets	37,979		37,979				37,979
Subscription-based IT arrangements	174,227		174,227		(11,906)		162,321
Total decreciable capital assets	172,065,140		172,065,140	685,550	(3,426,472)	4,489,955	173,814,173
Less accumulated depreciation for:							
Wastewater treatment facilities	(80,188,323)	$88,155	(80,100,168)	(4,191,085)	2,981,847		(81,309,406)
Wastewater disposal facilites	(11,889,057)		(11,889,057)	(327,542)			(12,216,599)
General plant and administrative facilities	(6,640,841)		(6,640,841)	(337,339)	286,546		(6,691,634)
Right of use assets	(26,586)		(26,586)	(7,595)			(34,181)
Subscription-based IT arrangements	(14,519)		(14,519)	(27,053)	992		(40,580)
Total accumulated depreciation	(98,759,326)	88,155	(98,671,171)	(4,890,614)	3,269,385		(100,292,400)
Total depreciable assets, net	73,305,814	88,155	73,393,969	(4,205,064)	(157,087)	4,489,955	73,521,773
Total capital assets, net	$80,774,570	$88,155	$80,862,725	($92,047)	($438,213)		$80,332,465

Total depreciation and amortization expense for the year ended June 30, 2024 was $4,901,529.

NOTE 8 – COMPENSATED ABSENCES

Accumulated unpaid vacation and compensatory time have been accrued at year end. The changes in compensated absences were for the year ending June 30, 2024 is as follows:

Balance June 30, 2023	Net Change	Balance June 30, 2024	Due Within One Year
$1,006,266	$39,055	$1,045,321	$314,334

NOTE 9 – LONG-TERM OBLIGATIONS

The Agency's long-term obligations consisted of the following as of June 30, 2024:

	Original Issue Amount	Balance June 30, 2023	Retirements	Balance June 30, 2024	Amount due within one year
2015 Refunding Revenue					
2.50 - 5.00%, due 9/01/2031	$49,310,000	$30,310,000	$2,785,000	$27,525,000	$2,930,000
Bonds					
Discounts and premiums, net		2,497,820	348,533	2,149,287	
2020 Revenue Bonds					
2.0 - 2.25%, due 9/1/2024	9,115,000	8,360,000	390,000	7,970,000	395,000
2020 Revenue Bonds					
Discounts and premiums, net		125,348	7,290	118,058	
2022 Pension Obligation Bonds					
3.36%, due 9/1/2038	9,432,000	9,266,000	130,000	9,136,000	248,000
Total long-term debt, net		$50,559,168	$3,660,823	$46,898,345	$3,573,000

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

The Agency's 2015 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2024:

For the Year Ending June 30	Principal	Interest	Total
2025	$2,930,000	$1,014,506	$3,944,506
2026	3,075,000	864,381	3,939,381
2027	3,250,000	738,756	3,988,756
2028	3,340,000	606,506	3,946,506
2029	3,510,000	435,256	3,945,256
2030-2032	11,420,000	533,216	11,953,216
Totals	$27,525,000	$4,192,622	$31,717,622

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

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

The Agency's 2020 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2024:

For the Year Ending June 30	Principal	Interest	Total
2025	$395,000	$160,775	$555,775
2026	405,000	152,775	557,775
2027	415,000	144,575	559,575
2028	420,000	136,225	556,225
2029	430,000	127,725	557,725
2030 - 2034	2,285,000	504,575	2,789,575
2035 - 2039	2,530,000	261,119	2,791,119
2040 - 2041	1,090,000	24,638	1,114,638
Totals	$7,970,000	$1,512,407	$9,482,407

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

The Agency's 2022 Refunding Revenue Bonds debt service requirements were as follows as of June 30, 2024:

For the Year Ending June 30	Principal	Interest	Total
2025	$248,000	$302,803	$550,803
2026	632,000	288,019	920,019
2027	653,000	266,431	919,431
2028	676,000	244,104	920,104
2029	699,000	221,004	920,004
2030 - 2034	3,869,000	730,043	4,599,043
2035 - 2038	2,359,000	120,237	2,479,237
Totals	$9,136,000	$2,172,641	$11,308,641

NOTE 10 – JOINT VENTURES

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

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 11 – COMMITMENTS AND CONTINGENCIES

The Agency had $585,917 in construction-related contractual commitments as of June 30, 2024.

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

NOTE 12 – RISK MANAGEMENT

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

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

NOTE 12 – RISK MANAGEMENT (Continued)

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2023 (most recent information available):

	June 30, 2023
Total Assets	$35,837,500
Total Liabilities	25,803,417
Total Equity	10,034,083
Total Revenues	21,686,396
Total Expenses	18,692,969

NOTE 13 – 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, 2024, are summarized as follows:

	Miscellaneous	
	Tier I	PEPRA
Benefit formula	2% - 2.7% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2% - 2.7%	2.00%
Required employee contribution rates	8.00%	7.75%
Required employer contribution rates	15.95%	7.68%

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2024 contributions of $741,991 were recognized as part of pension expense.

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

As of June 30, 2024, the Agency reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Total Net Pension Liability	$6,845,166

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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2022 and 2023 was as follows:

	Miscellaneous
Proportion - June 30, 2022	0.0602%
Proportion - June 30, 2023	0.1369%
Change - Increase (Decrease)	0.0767%

For the year ended June 30, 2024, the Agency recognized actuarial pension expense of $1,078,949. At June 30, 2024, 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	$741,991	
Differences between actual and expected experience	349,688	($54,245)
Changes in assumptions	413,274	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3,826,107	(719,793)
Change in proportion		(6,096,706)
Net differences between projected and actual earnings on plan investments	1,108,293	
Total	$6,439,353	($6,870,744)

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Of the $6,439,353 reported as deferred outflows of resources on the Statement of Net Position, $741,991 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, 2025.

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

Year Ended June 30	Annual Amortization
2025	($976,877)
2026	(774,278)
2027	545,971
2028	31,802
Total	($1,173,382)

Actuarial Assumptions – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Tier I, II, and III
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

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

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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	Assumed asset Allocation	Real Return Years 1 - 10[1]
Global Equity-Cap-Weighted	30.0%	4.54%
Global Equity - Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% 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:

	Miscellaneous All Tiers
1% Decrease	5.90%
Net Pension Liability (Asset)	$14,558,614
Current Discount Rate	6.90%
Net Pension Liability (Asset)	$6,845,166
1% Increase	7.90%
Net Pension Liability (Asset)	$496,336

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 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

The Agency contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer defined benefit plan) and to provide an investment vehicle, the California Employees' Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. The Agency chooses from a menu of benefit provisions and adopts certain benefit provisions by Board resolution. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. By participating in CERBT, the Agency is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues 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.

Employees Covered

As of the June 30, 2024 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active plan members	44
Inactive employees currently receiving benefit	38
Inactive employees not yet receiving benefit	-
Total plan membership	82

Contributions

The Agency's plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Agency and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year June 30, 2024, the Agency’s cash contributions were $0 to the CERBT trust and the implied subsidy, which includes payments of retiree medical premiums, reimbursements to retirees and other non-cash subsidies, was $203,301.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability

The Agency's Net OPEB Liability was measured on June 30, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2023 that was rolled back to June 30, 2022, and forward to June 30, 2023 to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial cost method	Entry age normal, level percent of pay
Actuarial assumptions:	
Discount rate	6.75%
Inflation	2.75%
Salary increase	3.00%
Healthcare trend rates	5.50%
Investment Rate of Return	6.75%
Mortality rate	In all actuarial valuations, assumed life expectancies were based on the CalPERS Mort and Disb Rates_PA Misc Tables.
Retirement rates	In all actuarial valuations, assumed retirement ages were based on the CalPERS Rx PA Misc 2% @ 62 and Rx PA Misc 2.7% @ 55 Tables.

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

Asset Class	Target Allocation	Target Rage	Benchmark
Global Equity	49%	5.00%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	5.00%	Bloomberg Long Liability Index
TIPS	5%	3.00%	Bloomberg US TIPS Index, Series L
Commodities	3%	3.00%	S&P GSCI Total Return Index
REITs	20%	5.00%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	0%	2.00%	ICE BofA US 3-Month Treasury Bill Index
Total	100%		

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The cash flows of the OPEB plan were projected to future years, assuming that CMSA will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 6.75%

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (c) = (a) - (b)**
Balance at June 30, 2022 (Measurement Date)	$4,598,604	$3,028,620	$1,569,984
Changes Recognized for the Measurement Period:			
Service Cost	153,534		153,534
Interest on the total OPEB liability	327,378		327,378
Changes in benefit terms			
Difference between expected and actual experience	(292,351)		(292,351)
Changes of assumptions	288,366		288,366
Net investment income		194,654	(194,654)
Contributions - Employer			
Contributions - Implicit Subsidy		33,254	(33,254)
Benefit Payments	(170,047)	(170,047)	
Implicit Subsidy Credit	(33,254)	(33,254)	
Administrative Expense		(871)	871
Net Changes during July 1, 2022 to June 30, 2023	273,626	23,736	249,890
Balance at June 30, 2023 (Measurement Date)	$4,872,230	$3,052,356	$1,819,874

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

The following presents the Net OPEB Liability of the Agency if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2023.

Plan's Net OPEB Liability (Asset)		
Discount Rate -1% (5.75%)	**Current Discount Rate (6.75%)**	**Discount Rate +1% (7.75%)**
$2,453,173	$1,819,874	$1,298,943

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

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2023:

Plan's Net OPEB Liability (Asset)		
Discount Rate -1% 4.50%	**Healthcare Cost 5.50%**	**Discount Rate +1% 6.50%**
$1,286,721	$1,819,874	$2,466,807

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

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

For the year ended June 30, 2024, the Agency recognized OPEB expense of $251,958. At June 30, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CMSA contributions subsequent to measurement date	$96,598	
Differences between actual and expected experience		$772,713
Changes of assumptions	268,619	9,846
Net difference between projected and actual earnings on OPEB plan investments	362,372	
	$727,589	$782,559

The $96,598 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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

Measurement Period Ended June 30	Annual Amortization
2025	($13,563)
2026	(33,625)
2027	82,603
2028	(102,112)
2028	(47,212)
Thereafter	(37,659)
	($151,568)

NOTE 15 – DEFERRED COMPENSATION 457 (b) AND 401(a) PLANS

Agency employees may defer a portion of their compensation under the Agency's sponsored deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457 and 401. Under these Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency.

The Agency has Deferred Compensation Plan administration agreements with both Mission Square and Nationwide to provide for the administration and management of employees' deferred compensation plan assets. The agreement incorporates changes in the laws and IRC regulations governing deferred compensation plan assets, which require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under the plan are not the Agency's property and not subject to claims by general creditors of the Agency, it has been excluded from these financial statements.

NOTE 16 – SUBSEQUENT EVENT

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.

NOTE 17 – RESTATEMENT OF BEGINNING NET POSITION

During the year ended June 30, 2024, it was noted that there was a error of capitalization of a capital asset in the prior year. As a result, the beginning balance of capital assets and beginning net position were increased in the amount of $88,155.

	2024
Net position beginning balance, as previously stated	$51,102,383
Prior period adjustment:	
Error from accumulated depreciation	88,155
Net position beginning balance, as restated	$51,190,538

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Required Supplementary Information

CENTRAL MARIN SANITATION AGENCY
Schedule of Proportionate Share of Net Pension Liability
Last 10 Years *

Fiscal Year End June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Measurement date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Proportion of the net pension liability	0.30349%	0.27225%	0.27951%	0.28603%	0.29455%	0.30212%	0.31011%	0.42205%	0.14856%	0.13689%
Proportion share of the net pension liability	$7,500,711	$7,469,105	$9,709,970	$11,275,453	$11,100,877	$12,098,439	$13,080,864	$8,013,909	$6,951,525	$6,845,166
Covered payroll	$4,304,138	$4,157,166	$4,424,935	$4,723,972	$4,965,222	$4,942,374	$5,349,606	$5,675,059	$5,785,065	$6,090,471
Proportionate share of the net pension liability as a percentage of covered payroll	174.27%	179.67%	219.44%	238.69%	223.57%	244.79%	244.52%	141.21%	120.16%	112.39%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	79.10%	79.89%	75.44%	74.16%	74.96%	74.11%	73.58%	84.28%	87.32%	88.00%

CENTRAL MARIN SANITATION AGENCY
Schedule of Agency's Pension Plan Contributions
Last 10 Years*

Fiscal Year End June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions (actuarially determined)	$44,141	$848,569	$942,199	$991,502	$1,130,901	$1,315,602	$1,491,516	$1,609,691	$1,160,485	$741,991
Contributions in relation to the actuarially determined contributions	44,141	848,569	942,199	991,502	1,130,901	1,315,602	1,491,516	1,609,691	1,160,485	741,991
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	4,157,166	4,424,935	4,723,972	4,965,222	4,942,374	5,349,606	5,675,059	5,785,065	6,090,471	6,489,958
Contributions as a percentage of covered payroll	1.06%	19.18%	19.95%	19.97%	22.88%	24.59%	26.28%	27.82%	19.05%	11.43%

*Fiscal year ending June 30, 2015, was the first year of implementation.

CENTRAL MARIN SANITATION AGENCY
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB) - Agent-Multiple Employer Plan

Measurement period	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability							
Service cost	$111,349	$114,689	$118,130	$122,614	$126,292	$149,062	$153,534
Interest on the OPEB liability	293,164	309,421	326,176	306,773	322,355	309,061	327,378
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(485,040)	-	(462,302)	-	(292,351)
Changes of assumptions	-	-	(18,331)	-	41,906	-	288,366
Benefit payments	(170,667)	(180,592)	(181,444)	(183,958)	(166,966)	(176,458)	(170,047)
Implicit rate subsidy fulfilled	-	(11,122)	(14,771)	(34,735)	(45,053)	(33,254)	(33,254)
Net change in total OPEB liability	233,846	232,396	(255,280)	210,694	(183,768)	248,411	273,626
Total OPEB liability - beginning	4,112,305	4,346,151	4,578,547	4,323,267	4,533,961	4,350,193	4,598,604
Total OPEB liability - ending (a)	$4,346,151	$4,578,547	$4,323,267	$4,533,961	$4,350,193	$4,598,604	$4,872,230
OPEB fiduciary net position							
Net investment income	$207,513	$177,929	$161,815	$97,301	$788,875	($655,328)	$194,654
Contributions - Employer	287,122	287,906	224,526	226,958	209,974	176,458	-
Contributions - Implicit Subsidy	-	11,122	14,771	34,735	45,053	33,254	33,254
Benefit payments	(170,667)	(180,592)	(181,444)	(183,958)	(166,966)	(176,458)	(170,047)
Implicit subsidy credit	-	(11,122)	(14,771)	(34,735)	(45,053)	(33,254)	(33,254)
Administrative expense	(1,006)	(1,214)	(543)	(1,336)	(1,087)	(923)	(871)
Net change in plan fiduciary net position	322,962	284,029	204,354	138,965	830,796	(656,251)	23,736
Plan fiduciary net position - beginning	1,903,765	2,226,727	2,510,756	2,715,110	2,854,075	3,684,871	3,028,620
Plan fiduciary net position - ending (b)	2,226,727	2,510,756	2,715,110	2,854,075	3,684,871	3,028,620	3,052,356
Plan net OPEB liability (asset) - ending (a) - (b)	$2,119,424	$2,067,791	$1,608,157	$1,679,886	$665,322	$1,569,984	$1,819,874
Plan fiduciary net position as a percentage of the total OPEB liability	51.23%	54.84%	62.80%	62.95%	84.71%	65.86%	62.65%
Covered payroll	$4,723,972	$4,965,222	$4,942,374	$5,349,606	$5,675,059	$5,785,065	$5,739,125
District's Net OPEB liability as a percentage of covered payroll	44.87%	41.65%	32.54%	31.40%	11.72%	27.14%	31.71%

* June 30, 2018 was the first year of implementation for GASB 75.

CENTRAL MARIN SANITATION AGENCY
SCHEDULE OF OPEB CONTRIBUTIONS
Last Ten Fiscal Years *
Other Post-Employment Benefits (OPEB) - Agent-Multiple Employer Plan

	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	$287,122	$299,028	$239,297	$261,693	$255,027	$209,712	$203,301
Contributions in relation to the actuarially determined contribution	287,122	299,028	239,297	261,693	255,027	209,712	203,301
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	$4,965,222	$4,942,374	$5,349,606	$5,675,059	$5,785,065	$6,090,471	$6,489,958
Contributions as a percentage of covered payroll	5.78%	6.05%	4.47%	4.61%	4.41%	3.44%	3.13%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost
Amortization Method	Closed Period, Level Percent of Pay
Discount Rate	6.75%
Inflation	2.75%
Healthcare Cost Trend Rates	5.50%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Retirement Age	In all actuarial valuations, assumed life expectancies were based on the CalPERS Mort and Disb Rates_PA Misc Tables.
Mortality	In all actuarial valuations, assumed life expectancies were based on the CalPERS Mort and Disb Rates_PA Misc Tables.

* June 20, 2017 was the first year of implementation

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
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Central Marin Sanitation Agency (Agency), California, as of and for the year ended June 30, 2024 and the related notes to the financial statements, and have issued our report thereon dated October 23, 2024.

Report on 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) as a basis for designing 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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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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We have also issued a separate Memorandum on Internal Control dated October 23, 2024 which is an integral part of our audit and should be read in conjunction with this report.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
October 23, 2024