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CENTRAL MARIN SANITATION AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of Central Marin Sanitation Agency as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central Marin Sanitation Agency, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 – 10), schedule of the District's proportionate share of the net pension liability and Schedule of Contributions (page 40), Schedule of Changes in the Net OPEB Liability and Related Ratios (page 41) and Schedule of OPEB Contributions (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Marin Sanitation Agency's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 19, 2019

This section of the Agency's Independent Audit Report presents management's discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2019. It is intended to serve as an overview to the Agency's required financial statements. Please read it in conjunction with Agency's financial statements and accompanying notes, which follow this section.

ORGANIZATION AND BUSINESS

Central Marin Sanitation Agency (CMSA) is a regional wastewater treatment agency that serves central Marin County residents, businesses, and governmental institutions including San Quentin State Prison (SQSP). The area served by CMSA includes portions of the City of San Rafael, the City of Larkspur, the Towns of Corte Madera, Fairfax, Ross, San Anselmo and the unincorporated areas of Ross Valley. For the Fiscal Year 2018-19 reporting period, the Agency provided services to 48,279 equivalent dwelling units (EDUs) with an approximate population of 105,000 in the service area. An additional 4005 EDUs have been assigned to SQSP.

In the 1970's, central Marin County had four small wastewater treatment plants whose operations were not able to meet the stringent new requirements of the 1972 Clean Water Act. Accordingly, the four local agencies that provided wastewater services, San Rafael Sanitation District (SRSD), Sanitary District No. 1 of Marin County (SD1), Sanitary District No. 2 of Marin County (SD2), and the City of Larkspur, entered into a joint powers agreement (JPA) in October 1979 to create a separate governmental entity, the Central Marin Sanitation Agency (CMSA), to oversee the construction and operation of a regional wastewater treatment facility. The SQSP chose not to join the JPA. The Agency's facilities were constructed at a cost of approximately $84 million and funded by federal (75%) and state (12.5%) clean water grants, as well as local shares (12.5%) from the four local agencies and SQSP.

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

The Agency's governing body, a Board of Commissioners (Board), comprises individuals appointed by the JPA agencies. San Rafael Sanitation District and Sanitary District No. 1 of Marin County each have two members on the Commission while the City of Larkspur and Sanitary District No. 2 of Marin County each have one member. The six-member Board sets policy for the Agency. The Board appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board. The General Manager is the chief administrative officer responsible for Agency operations and long-term planning in accordance with the Board's policies and approved budget. The Treasurer/Controller is charged with overall financial responsibility in accordance with established Agency policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE AGENCY

One of the most important questions asked about the Agency's finances is whether or not the Agency's overall financial position has improved or deteriorated. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Agency's activities in a way that will help answer this question. These two statements report the net position of the Agency as well as related changes. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net position is one of many indicators to ascertain if its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

During the FY 2017-18 audit, prior period adjustments were recorded which affected the prior year financial statement numbers shown below. There were no prior period adjustments for the current fiscal year 2018-19. The adjustments have been reflected in the tables below which were used for the comparison data throughout this management discussion and analysis.

NET POSITION STATEMENT ANALYSIS

Table 1 – Summary of Net Position

Description	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Current and other assets	$19,607,469	$17,753,712	$1,853,757	10.4%
Capital assets – net	78,845,782	81,337,573	(2,491,791)	(3.1)
Total assets	98,453,251	99,091,285	(638,034)	(0.6)
Deferred outflows of resources	6,329,394	7,332,920	(1,003,526)	(13.7)
Current liabilities	3,879,363	3,780,431	98,932	2.6
Noncurrent liabilities	55,467,490	58,367,168	(2,899,678)	(5.0)
Total liabilities	59,346,853	62,147,599	(2,800,746)	(4.5)
Deferred inflows of resources	1,790,731	2,056,973	(266,242)	(12.9)%
Net position –				
Net investment in capital assets	36,596,279	36,596,025	254	0.0
Unrestricted	7,048,782	5,623,608	1,425,174	25.3
Total net position	$43,645,061	$42,219,633	$1,425,428	3.4%

Net position increased by $1,425,428 to $43,645,061 from FY 2017-18 to FY 2018-19 as described below:

- Total assets decreased by $(638,033). Current assets increased by $1,853,757 due mainly to an increase in cash in the amount of approximately $1,587,000, the addition of inventory in the amount of $218,000, and $33,000 deposit for self-insured dental benefits (see Note 4 – Self Insured Dental Deposit), with the remaining current asset items very consistent between years. Capital assets – net decreased by $(2,491,791) because of minor asset retirements as well as the excess of the provision for accumulated depreciation on capital assets, a contra-asset, over current year capital asset additions.

- Deferred outflow amounts decreased for both pension and OPEB over the prior year in the amount of $(1,003,526).

- Current liabilities (obligations due within 12 months) increased by $98,932. The net increase was due primarily to an increase in accounts payable, $96,000, offset by a decrease in accrued salaries, $(66,000), and increase in current portion of long-term debt, $65,000.

- Non-current (long-term) liabilities decreased by $(2,899,678) as a result of a decrease in net pension liability of $174,000 and a decrease in the net OPEB liability in the amount of $52,000. Long-term liabilities are reduced each year as each series on the outstanding Refunding Revenue Bonds Series 2015 reach maturity and the principal amount is paid to the bondholders, approximately $2,500,000 for FY19. Additional information on the Agency's non-current liabilities can be found in Note #6-Long-Term Obligations.

- Deferred inflows of resources decreased by $266,000 for decreases in both pension and OPEB obligations.

By far the largest portion of the Agency's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide treatment services for the residents and businesses in its service area. Consequently, these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used or sold to liquidate Agency liabilities. The remaining balance of the net position is unrestricted and may be used to meet the Agency's ongoing obligations to its customers and creditors.

REVENUES, EXPENSES, AND CHANGE IN NET POSITION STATEMENT ANALYSIS

Table 2 – Change in Net Position

Description	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Service charges	$16,400,143	$15,845,548	$554,595	3.5%
Contract maintenance revenues	1,067,515	1,114,680	(47,165)	(4.2)
Other operating revenues	434,012	393,738	40,274	10.2
Interest and investment income	410,653	218,516	192,137	87.9
Other non-operating revenues	452,833	85,212	367,621	431.4
Total revenues	18,765,156	17,657,694	1,107,462	6.3
Salaries and benefits	8,486,703	8,877,307	(390,604)	(4.4)
Operations supplies and services	1,436,895	1,366,871	70,024	5.1
Repairs and maintenance	1,034,818	886,312	148,506	16.8
Permit testing and monitoring	144,968	149,815	(4,847)	(3.2)
Depreciation and amortization	4,110,575	3,995,080	115,495	2.9
Insurance	111,545	95,517	16,028	16.8
Utilities and telephone	454,082	311,191	142,891	45.9
General and administrative	774,050	669,900	104,150	15.5
Interest expense	1,457,861	1,527,361	(69,500)	(4.6)
Total expenses	18,011,497	17,879,354	132,143	0.7
Income (loss) before cap contrib	753,659	(221,660)	975,319	440.0
Add: capacity charges revenue	671,769	197,753	474,016	239.7
Increase (decrease) in net position	1,425,428	(23,907)	1,449,336	6,062.4
Net position – beg	42,219,633	42,619,360	(399,727)	(0.9)
Prior period adjustments - net	-	(375,820)	375,820	-
Net position – beg as restated	42,219,633	42,243,540	(23,907)	(0.1)
Net position – end	$43,645,061	$42,219,633	$1,425,428	3.4%

See comments under Financial Analysis of the Agency regarding prior period adjustments made to the FY 2017-18 numbers presented above.

The statement of revenues, expenses, and changes in net position reflects the Agency's operating and non-operating revenues by major sources, operating and non-operating expenses by categories, and capital contributions. The Agency's increase in net position was $1,425,428 during FY 2018-19 as follows:

- Total revenues (operating and non-operating) increased by $1,107,462 from FY 2017-18 to $18.8 million in FY 2018-19. The increase in revenues was from a scheduled 3.5% increase in billed charges to members that includes base service charges, a capital fee, the debt service charge, and the debt service coverage charge. Contract maintenance revenues decreased approximately $47,000 mainly due to changes in flow volume and strength for waste services between CMSA and SQSP. Other operating revenues increased by approximately $40,000 due to increases in program revenues for FOG (Fats, Oils & Grease) and COOP programs, and permit and inspection fees.

- Interest and investment income increased nearly $200,000 due to increases in interest rates. The increase in other non-operating revenues is due primarily to proceeds received from federal programs, FEMA and State Revolving Fund, for landslide repairs and cogeneration system upgrades to sell excess power through a new PG&E Interconnection Agreement and power sale agreement with Marin Clean Energy.

- Total expenses (operating and non-operating) increased by $132,000 from FY 2017-18 to FY 2018-19. Salaries and benefits are down from the prior year due to an approximate cost of living adjustment increase of $170,000 offset by a decrease in pension and OPEB accruals in the amount of approximately $560,000. Operations supplies and services increased approximately $70,000 due mainly to more usage and certain chemical price increases. Repairs and maintenance expenses are up due mainly to changes in inventory levels and CIP studies not capitalized. Utilities are up due to a cogeneration engine failure resulting in purchasing power rather than generating power. General and administrative expenses include consultant costs for the asset management program and the pilot digester study. Interest expense is down due to declining principal balances.

- Capital contributions for capacity charges for FY 2018-19 increased by $474,000 to approximately $672,000 due to substantial new construction activity during the year. Member agencies collect and remit capacity charges to the Agency.

CAPITAL ASSETS

The Agency's investment in capital assets as of June 30, 2019 totaled $78,845,782 net of accumulated depreciation. This investment in capital assets includes land and land improvements, wastewater treatment facilities, wastewater disposal facilities, general plant and administrative facilities, and construction-in-progress. During FY 2018-19, the Agency acquired/constructed $2.2 million and depreciated approximately $4 million in capital assets. The Agency also had a prior period adjustment to beginning accumulated depreciation of approximately $268,000 to correct accumulated depreciation during FY 2017-18. The total net decrease in the Agency's investment in capital assets was $2,491,791 or (3.1)%.

Table 3 – Summary of Net Investment in Capital Assets

Description	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Land and land improvements	$4,857,321	$4,857,321		0.0%
Construction in progress	1,118,263	1,363,564	($245,301)	(18.0)
Wastewater treatment facilities	65,580,231	67,789,514	(2,209,283)	(3.3)
Wastewater disposal facilities	3,059,419	3,380,347	(320,928)	(9.5)
General, plant, & admin facilities	4,230,548	3,946,827	283,721	7.2
Capital assets – net	$78,845,782	$81,337,573	($2,491,791)	(3.1)

See comments under Financial Analysis of the Agency regarding prior period adjustments made to the FY 2017-18 numbers presented above.

Construction-in-progress decreased by approximately $250,000 and there were approximately $1,034,000 in completed project transfers during the year. Major capital asset completed project transfers and new acquisitions and amounts for the FY 2018-19 include the following:

- Completed work on Odor Control System and Improvements ($480,254)
- Completed work on industrial coating and concrete rehabilitation ($220,364)
- Completed work on facility paving / sitework ($290,128)
- Purchased and placed in service various pumps and wastewater equipment ($594,492)
- Purchased and placed in service various hardware, software, and lab equipment ($275,932)
- Purchased and placed in service various vehicles ($95,553)

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

DEBT ADMINISTRATION

As of June 30, 2019, the Agency had $40,440,000 in outstanding debt from the Refunding Revenue Bonds Series 2015, not including a premium in the amount of $3,891,953 that is amortized over the life of the bonds.

The Agency continues to expand, upgrade, and improve the quality of its treatment systems to meet current environmental regulations, manage wet weather flows, and to serve the needs of its customers. The Refunding Revenue Bonds Series 2015 were issued at a premium during FY 2014-15 to refund the 2006 Revenue Bonds originally used to expand the hydraulic and/or process capacity of the Agency's treatment, storage, and disposal facilities, and to implement other Board of Commissioners' approved capital improvement projects.

Additional information on the Agency's outstanding debt can be found in Note 6-Long-Term Obligations.

Table 4 – Summary of Long Term Debt

Description	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
2015 Revenue bonds, net	$44,331,953	$47,010,486	($2,678,533)	(5.7)%
Long-term debt – net	$44,331,953	$47,010,486	($2,678,533)	(5.7)%

ECONOMIC FACTORS

The Agency is governed in part by provisions of the State Water Resources Control Board which specifies that rate-based revenues must at a minimum cover the costs of operation, maintenance and recurring capital replacement (OM&R). The Agency is not directly subject to general economic conditions as the main source of its sewer service revenues is received directly from three JPA member agencies (SRSD, SD1 and SD2) and not from rate payers within the service area served. The Agency does not receive property tax revenue. Accordingly, the Agency sets its charges to JPA member agencies and the State of California for SQSP to cover the costs of OM&R and debt financed capital improvements plus any increments for known or anticipated changes in program costs.

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

CONTACTING THE AGENCY

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

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

FINANCIAL STATEMENTS

CENTRAL MARIN SANITATION AGENCY
Statement of Net Position
June 30, 2019

Assets	
Current Assets	
Cash and cash equivalents	$ 17,219,093
Accounts receivable	300,991
Accrued interest receivable	106,822
Prepaid expenses	76,113
Deposits (self-insured dental)	33,250
Inventory - parts and fuel	1,833,482
Other current assets	2,345
Total Current Assets	19,572,096
Noncurrent Assets	
Bond discount and prepaid insurance, net	35,373
Capital assets, net of accumulated depreciation (Note 4)	78,845,782
Total Noncurrent Assets	78,881,155
Total Assets	98,453,251
Deferred Outflows of Resources	
Loss on early retirement of long-term debt	2,082,450
Relating to pension	4,022,418
Relating to OPEB	224,526
Total Deferred Outflows of Resources	6,329,394
Liabilities	
Current Liabilities	
Accounts payable	427,366
Accrued salaries and employee benefits	202,386
Interest payable on revenue bonds	536,085
Current portion of compensated absences payable	318,526
Current portion of revenue bonds payable	2,395,000
Total Current Liabilities	3,879,363
Noncurrent Liabilities:	
Compensated absences payable, net of current portions	361,588
Revenue bonds payable, net of premium	41,936,953
Net pension liability	11,101,158
Net OPEB liability	2,067,791
Total Noncurrent Liabilities	55,467,490
Total Liabilities	59,346,853
Deferred Outflows of Resources	
Pension adjustments	1,736,663
Other post-employment benefits	54,068
Total Deferred Inflows of Resources	1,790,731
Net Position	
Net investment in capital assets	36,596,279
Unrestricted	7,048,782
Total Net Position	$ 43,645,061

The accompanying notes are an integral part of the financial statements

CENTRAL MARIN SANITATION AGENCY
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019

Operating Revenues:	
Service charges	$ 16,400,143
Contract maintenance revenues	1,067,515
Other operating revenues	434,012
Total operating revenue	17,901,670
Operating Expenses:	
Salaries and benefits	8,486,703
Operations supplies and services	1,436,895
Repairs and maintenance	1,034,818
Permit testing and monitoring	144,968
Insurance	111,545
Utilities and telephone	454,082
General and administrative	774,050
Depreciation and amortization	4,110,575
Total operating expenses	16,553,636
Operating Income (Loss)	1,348,034
Nonoperating Revenues (Expenses):	
Interest and investment income	410,653
Interest expense	(1,457,861)
Other non-operating revenues (expenses)	452,833
Total non-operating revenues (expenses)	(594,375)
Income before contributions	753,659
Capital contributions - capacity fees	671,769
Change in Net Position	1,425,428
Net Position - Beginning of Year, as previously stated	42,219,633
Net Position - Ending	$ 43,645,061

The accompanying notes are an integral part of the financial statements

CENTRAL MARIN SANITATION AGENCY
Statement of Cash Flows
Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Receipts from customers and users	$ 17,948,135
Payments to suppliers	(3,562,191)
Payments to employees and related benefits	(8,124,854)
Other non-operating revenue	28,132
Net cash provided by operating activities	6,289,222
Cash Flows from Capital and Related Financing Activities:	
Capacity charges	671,769
Grants for capital projects	402,155
Acquisition and construction of capital assets	(2,185,309)
Sales of assets	22,800
Principal payments on long-term debt	(2,330,000)
Interest on long-term debt	(1,643,206)
Net cash used in capital and related financing activities	(5,061,791)
Cash Flows from Investing Activities	
Investment income	370,651
Net cash provided by investing activities	370,651
Net increase in cash and cash equivalents	1,598,082
Cash and cash equivalents, July 1	15,621,011
Cash and Cash equivalents, June 30	$ 17,219,093
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	1,348,034
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	4,110,575
Other non-operating income	28,132
(Increase) decrease in:	
Accounts receivable	46,609
Inventory	(217,885)
Prepaid expenses	(12,781)
Other current assets	(34,784)
CIP projects not capitalized	569,439
Deferred outflows	817,038
Increase (decrease) in:	
Accounts payable	90,178
Accrued salaries and benefits	(60,138)
Unearned revenue	(144)
Accrued compensated absences	97,037
Net Pension Liability	(174,213)
Net OPEB Obligation	(51,633)
Deferred inflows	(266,242)
Net cash provided by operating activities	$ 6,289,222

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

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

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

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

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

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 from the implementation of GASBS No. 68 and No. 75.

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.

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

Statement of Revenues, Expenses, and Changes in Net Position

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

Joint Ventures

The Agency is the locus of a joint powers agreement among its four member agencies, which provide wastewater collection and transmission to the treatment plant. Joint venture details are discussed in Note 6.

Cash and Investments

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

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

Investments are reported in the statement of net position at fair value, 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.

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.

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

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

Wastewater Treatment Facilities:

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

General Plant & Administrative Facilities:

Buildings	40 years
Other	5 – 30 years

Long-Term Debt

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

Compensated Absences

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

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

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Accounting Estimates

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

Subsequent Events

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

Implemented New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations.* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The implementation of this pronouncement did not have a significant impact on the Agency's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* - The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

The implementation of this pronouncement did not have a significant impact on the Agency's financial statements.

Upcoming New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities.* - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2018 (fiscal 2020). Earlier application is encouraged. The Agency doesn't believe this statement will have a significant impact on the Agency's financial statements.

GASB Statement No. 87, *Leases.* - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal 2021). Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal 2021). Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.* - The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal 2020). Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (fiscal 2022). Earlier application is encouraged. The Agency doesn't believe this statement will have a significant impact on the Agency's financial statements.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency's cash, cash equivalents and investments consisted of the following as of June 30, 2019:

Cash and Investments	Carrying Amount	Fair Value / Amortized	Investment Rating	Maturities
Business-type Activities:				
Cash Deposits:				
Cash on hand	$ 269,662	$ 269,662	N/A	N/A
Petty Cash	796	796	N/A	N/A
Total Cash Deposits	270,458	270,458		
Investments:				
California Local Agency Investment Fund	16,493,415	16,521,649	Unrated	< 1 year
Wells Fargo Escrow	80,894	80,894	Unrated	< 1 year
California Asset Management Program	374,326	374,326	AAAm	< 1 year
Total Investments	16,948,635	16,976,869		
Total Cash and Investments	$ 17,219,093	$ 17,247,327		

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 $129,175 as of June 30, 2019. The difference between the book balance and the bank statement balance was for outstanding checks. None of the Agency's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the Agency's accounts met the collateral and categorization requirements as noted in the following paragraphs.

Fair Value Measurements

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

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

The Agency has the following recurring fair value measurements as of June 30, 2019:

- California Local Agency Investment Fund (LAIF) of $16,521,649; valued using Level 2 inputs.

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, 2019, was approximately $105.7 billion. Of that amount, 98.23% is invested in non-derivative financial products and 1.77% in structured notes and asset-backed securities. The balance in LAIF is available for withdrawal on demand.

California Assets Management Program

The CAMP pool has a diverse credit risk allocation averaging a rating of AAAm, per S&P ratings. The total amount invested by all public agencies in CAMP, as of June 30, 2019 was approximately $4.7 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 above provisions as of and for the year ended June 30, 2019. The Agency's investment policy follows the California Government Code which authorizes the Agency to invest in the following:

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

Risk Disclosures

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

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

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

- *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, 2019, external investment pools were not subject to a limitation. As of June 30, 2019, the Agency invested 97% 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

During the year ended June 30, 2019, the Agency analyzed the existing third-party dental insurance plan, and determined that it would be fiscally beneficial to self-insure. As a result, $33,250 was deposited into a separate account which will be used to pay employee dental expenses to dentists for authorized procedures beginning in fiscal 2020. This amount is shown as an asset on the Statement of Net Position. As of the date of the financial statements, the contract with the trustee is still being reviewed by attorneys for both parties.

NOTE 5 - PLANT AND FACILITIES (CAPITAL ASSETS)

The Agency's plant and facilities capital assets consisted of the following as of June 30, 2019:

Capital Assets	Balance July 01, 2018	Additions	Disposals & Adjustments	Transfers	Balance June 30, 2019
Non-depreciable Plant and Facilities:					
Land and land improvements	$ 4,857,321	-	-		$ 4,857,321
Construction in progress	1,363,564	1,358,722	(569,439)	(1,034,584)	1,118,263
Total non-depreciable plant and facilities	6,220,885	1,358,722	(569,439)	(1,034,584)	5,975,584
Depreciable Plant and Facilities:					
Wastewater treatment facilities	131,141,647	572,740	-	722,371	132,436,758
Wastewater disposal facilities	13,659,653	-	-	-	13,659,653
General plant and administrative facilities	9,625,474	253,847	(45,702)	312,213	10,145,832
Total depreciable plant and facilities	154,426,774	826,587	(45,702)	1,034,584	156,242,243
Less accumulated depreciation for:					
Wastewater treatment facilities	(63,352,133)	(3,504,394)	-	-	(66,856,527)
Wastewater disposal facilities	(10,279,306)	(320,928)	-	-	(10,600,234)
General plant and administrative facilities	(5,678,647)	(282,085)	45,448	-	(5,915,284)
Total accumulated depreciation	(79,310,086)	(4,107,407)	45,448	-	(83,372,045)
Total depreciable plant and facilities - net	75,116,688	(3,280,820)	(254)	1,034,584	72,870,198
Total plant and facilities - net	$ 81,337,573	(1,922,098)	(569,693)	-	$78,845,782

Depreciation expense for the year ended June 30, 2019 was $4,107,407.

NOTE 6 - LONG-TERM OBLIGATIONS

The Agency's long-term obligations consisted of the following as of June 30, 2019:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
2015 Refunding Revenue Bonds	$ 42,770,000	-	$2,330,000	$ 40,440,000	$ 2,395,000
2015 Refunding Revenue Bonds					
Discounts and premiums, net	4,240,486	-	348,533	3,891,953	-
Net Pension Liability	11,275,371	-	174,213	11,101,158	-
Net OPEB Liability	2,119,424	-	51,633	2,067,791	-
Compensated Absences	583,077	137,352	40,315	680,114	318,526
Total Long-term Obligations	$ 60,988,358	137,352	2,944,694	$ 58,181,016	$ 2,713,526

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, 2019:

Year Ending June 30,	Principal	Interest	Total
2020	$ 2,395,000	$ 1,572,331	$ 3,967,331
2021	2,470,000	1,487,006	3,957,006
2022	2,580,000	1,386,006	3,966,006
2023	2,685,000	1,280,706	3,965,706
2024	2,785,000	1,157,381	3,942,381
2025 – 2029	16,105,000	3,659,406	19,764,406
2030 – 2032	11,420,000	533,516	11,953,516
Total Debt Service	$ 40,440,000	$ 11,076,352	$ 51,516,352

NOTE 7 - JOINT VENTURES

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

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Agency had no significant unexpended construction-related contractual commitments as of June 30, 2019. Contingencies of an interminable 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 9 - RISK MANAGEMENT

The Agency is exposed to risks of loss from property, liability, and workers' compensation. The Agency mitigates risk by participating in risk sharing and insurance purchasing pools through membership in the California Sanitation Risk Management Authority (CSRMA). Risk sharing pools provide general and automobile liability and workers' compensation coverage. The pools operate to share risk among the members of the pool up to a limit of $15,500,000 and $750,000 for general liability and workers' compensation, respectively.

The cost to each CSRMA member agency for program participation is determined by the Executive Board upon the basis of cost allocation plan and rating formula. The premium for each participating agency includes the agency's share of expected losses, program insurance costs, and program administrative costs for the year, plus the agency's share of Authority general expense allocated to the program by the Board. Members share losses, which exceed the maximum premium assessment. Insurance purchasing pools provided property insurance and excess coverage to $15,000,000 on general liability and workers' compensation. Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2018 (most recent information available):

	June 30, 2018
Total Assets	$ 25,703,119
Total Liabilities	17,997,369
Total Equity	7,705,750
Total Revenues	10,453,268
Total Expenditures	13,926,188
Retrospective Contribution	(1,198,408),

NOTE 10 - 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, 2019, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.70%	2.00%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	12.212%	6.842%

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, 2019 the contributions recognized as part of pension expense for the Plan were as follows:

Employer contributions	$ 1,133,396

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

As of June 30, 2019, the Agency reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 11,101,158

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous
Proportion – June 30, 2017	0.26800%
Proportion – June 30, 2018	0.25323%
Change in Proportions	0.01477%

For the year ended June 30, 2019, the Agency recognized pension expense of $1,443,569. At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,133,396	$ -
Changes in assumptions	1,170,355	(276,358)
Differences between expected and actual experiences	379,505	(133,884)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	276,194	(237,198)
Net differences between projected and actual earnings on plan investments	1,062,968	(1,089,223)
Total	$ 4,022,418	$ (1,736,663)

Of the $4,022,418 reported as deferred outflows of resources, $1,133,356 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, 2020.

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

Fiscal Year Ending:	Deferred Outflows/(inflows) of Resources
2020	973,750
2021	560,640
2022	(293,066)
2023	(88,965)

Actuarial Assumptions - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	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, 2.5% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using 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 7.15%. 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 – The long-term expected rate of return on pension plan investments was determined using a building-block method in which ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

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

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.

Allocation by Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% was used for this period.
(b) An expected inflation of 2.92% was 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:

Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
$ 17,097,933	$ 11,101,158	$ 6,150,919

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 11 - 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 January 1, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	43
Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to, but not yet receiving benefits	-
Total	75

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, 2019, the Agency’s cash contributions were $107,314 to the CERBT trust and the implied subsidy was $191,714 resulting in total payments of $299,028.

Net OPEB Liability

The Agency's Net OPEB Liability was measured on June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation dated June 30, 2019 that was rolled back June 30, 2017, and to June 30, 2018 to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	7.28%
Inflation	2.75% per year
Salary Increases	3.0% per annum, in aggregate
Investment rate of Return	7.28%
Mortality Rate (1)	Derived using CalPERS' membership data for all funds.
Pre-retirement turnover (2)	Derived using CalPERS' membership data for all funds.
Healthcare trend rate	Increase 5.50% per year after 2019.

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

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 Range	Benchmark
Global equity	59%	± 5%	MSCI AII Country World Index IMI (net)
Fixed income	25%	± 5%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities	5%	± 3%	Bloomberg Barclays US TIPS Index, Series L
Real Estate Investment Trusts	8%	± 5%	FTSE EPRA NAREIT Developed Liquid Index (net)
Commodities	3%	± 3%	S&P GCSI Total Return Index
Cash	-	+ 2%	91 Day Treasury Bill
Total	100%		

Discount Rate

The discount rate used to measure the total OPEB liability was 7.28 percent. The cash flows of the OPEB plan were projected to future years, assuming that CMSA will contribute an amount so that the assets always exceed expected benefits to retirees. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 7.28%.

Changes in the OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Obligation (Asset) = (a) – (b)
Balance at June 30, 2018 (Valuation date January 1, 2018)	$4,346,151	$ 2,226,727	$ 2,119,424
Changes recognized for the measurement period			
Service cost	114,689	-	114,689
Interest	309,421	-	309,421
Employer contributions	-	299,028	(299,028)
Net investment income	-	177,929	(177,929)
Benefit payments to retirees	(191,714)	(191,714)	-
Administrative expense	-	(1,214)	(1,214)
Net changes	232,396	284,029	(51,633)
Balance at June 30, 2019 (Valuation date June 30, 2018)	$ 4,578,547	$ 2,510,756	$ 2,067,791

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, 2018:

	1% Decrease (6.28%)	Current Discount Rate (7.28%)	1% Increase (8.28%)
Net OPEB Liability	$ 2,701,141	$ 2,067,791	$ 1,546,921

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, 2018:

	1% Decrease (4.5%)	Current Trend Rate (5.5%)	1% Increase (6.5%)
Net OPEB Liability	$ 1,514,815	$ 2,067,791	$ 2,738,341

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, 2019, the Agency recognized OPEB expense of $246,298. At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 224,526	$ -
Net differences between projected and actual earnings on plan investments	-	(54,068)
Total	$ 224,526	$ (54,068)

The $224,526 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

Fiscal Year Ending:	Deferred Outflows/(inflows) of Resources
2020	(16,964)
2021	(16,964)
2022	(16,964)
2023	(3,175)

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year End June 30,				
	2019	2018	2017	2016	2015
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of net pension liability	0.25323%	0.26795%	0.27951%	0.24216%	0.24376%
Proportionate share of the net pension liability	$ 11,101,158	$ 11,275,371	$ 9,709,971	$ 6,643,602	$ 6,024,473
Covered payroll	$ 4,765,978	$ 4,560,237	$ 4,764,021	$ 4,418,991	$ 4,099,618
Proportionate share of the net pension liability as a percentage of covered payroll	232.93%	247.25%	203.82%	150.34%	146.95%
Plan's fiduciary net position	$ 33,230,349	$ 32,353,864	$ 29,830,921	$ -	$ -
Plan's fiduciary net position as a percentage of the Plan's total pension liability	74.96%	74.16%	75.44%	82.12%	83.21%

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

	2019	2018	2017	2016	2015
Contractually required contributions (actuarially determined)	$ 1,133,396	$ 967,659	$ 957,403	$ 950,859	$ 927,135
Contributions in relation to actuarially determined contributions	(1,133,396)	(967,659)	(957,403)	(950,859)	(927,135)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	$ 4,985,715	$ 4,765,978	$ 4,560,237	$ 4,764,021	$ 4,418,991
Contributions as a percentage of covered payroll	22.73%	20.30%	20.99%	19.96%	20.98%

Notes to Schedule:

Valuation Date:	June 30, 2018
Methods and assuptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Actuarial value of assets
Inflation	2.50%
Salary increase	Varies by entry age and service
Investment rate of return	7.15%
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

* Fiscal year ending June 30, 2015, was the first year of implementation, therefore only five years are shown.

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

		2018	2017
Total OPEB Liability			
Service cost		$ 114,689	$ 111,349
Interest on the OPEB liability		309,421	293,164
Benefits paid to retirees		(191,714)	(170,667)
Net change in total OPEB liability		232,396	233,846
Total OPEB Liability - beginning		4,346,151	4,112,305
Total OPEB Liability - ending	**(a)**	$ 4,578,547	$ 4,346,151
Plan Fiduciary Net Position			
Employer contributions		$ 299,028	$ 287,122
Net investment income		177,929	207,513
Benefits paid to retirees		(191,714)	(170,667)
Administrative expense		(1,214)	(1,006)
Net change in plan fiduciary position		284,029	322,962
Plan fiduciary net position- beginning		2,226,727	1,903,765
Plan fiduciary net position- ending	**(b)**	$ 2,510,756	$ 2,226,727
Net OPEB liability- ending	**(a) - (b)**	$ 2,067,791	$ 2,119,424
Plan fiduciary net position as a percentage of the total OPEB liability		54.84%	51.23%
Covered-employee payroll		$ 5,259,257	$ 4,716,585
Net OPEB liability as a percentage of covered-employee payroll		39.32%	44.94%

Notes to Schedule:

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

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

CENTRAL MARIN SANITATION AGENCY
Schedule of OPEB Contributions
Last Ten Fiscal Years*

Fiscal Year Ended June 30,	2019	2018
Actuarially determined contributions (ADC)	$ 246,298	$ 292,033
Contributions in relation to the ADC	(246,298)	(292,033)
Contribution deficiency (excess)	**$ -**	**$ -**
Covered-employee payroll	4,985,715	5,259,527
Contributions as a percentage of covered-employee]	4.94%	5.55%

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were selected by the Agency after consultation with the actuary.

Method and assumptions used to determine contribution:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Long-term investment rate of return	7.28%
Discount rate	7.28% per annum
Healthcare cost-trend rates	5.5% per annum
Payroll growth	3.0% per annum
Coverage elections	100% of eligible employees assumed to elect coverage upon retirement, remaining covered for life. Employees with no current medical assumed to elect employee-only medical upon retirement.
Mortality	Taken from the 2014 CalPERS OPEB Assumptions Model for *Public Agency Miscellaneous*
Retirement rates	Taken from the 2014 CalPERS OPEB Assumptions Model for *Public Agency Miscellaneous* with a 2.7% at 55 retirement plan.
Turnover (withdrawal)	Taken from the 2014 CalPERS OPEB Assumptions Model for *Public Agency Miscellaneous*

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

To the Board of Commissioners
Central Marin Sanitation Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Marin Sanitation Agency, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Central Marin Sanitation Agency's basic financial statements, and have issued our report thereon dated October 19, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Marin Sanitation Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 19, 2019