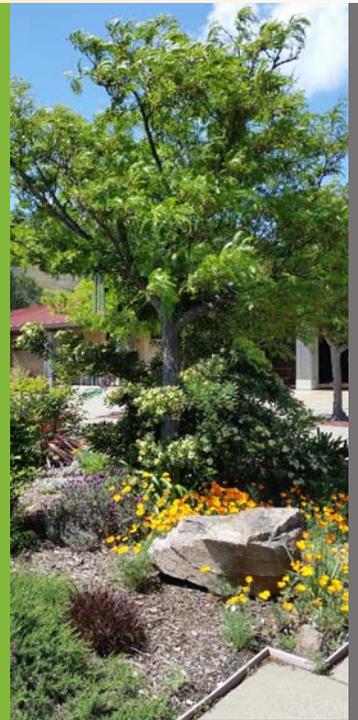


POPULAR

# ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JULY 1, 2016 – JUNE 30, 2017



**CENTRAL MARIN SANITATION AGENCY**

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POPULAR

# ANNUAL FINANCIAL REPORT

Fiscal Year July 1, 2016 – June 30, 2017

## TABLE OF CONTENTS

A Letter to Our Readers.....	3
Local Economy and Statistics.....	4
What CMSA Does.....	5
History and Organization.....	6
Major Accomplishments & Initiatives in FY 2017 .....	7
Capital Assets .....	10
Major Capital and Asset Management Projects .....	11
Key Financial Information.....	12
Statement of Net Position.....	13
Statement of Revenue & Expenses and Changes in Net Position.....	14
Where the Money Comes From (Revenue).....	15
Where the Money Goes (Expenses) .....	16
GFOA 2016 Award for Outstanding Achievement in Popular Annual Financial Reporting .....	17

## OUR MISSION

**Central Marin Sanitation Agency will  
 protect the environment and public  
 health by providing wastewater,  
 environmental, and resource  
 recovery services of exceptional  
 quality and value to its customers.**

December 15, 2017

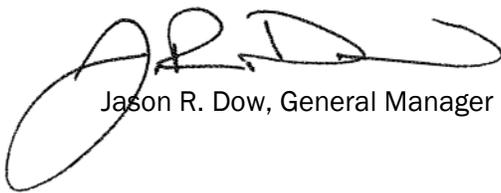
Central Marin Sanitation Agency (CMSA) is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017 (FY 17). The PAFR is published to provide readers with easy-to-understand information on the CMSA organization, as well as its finances, wastewater services, and other pertinent information. The financial information within this report is taken in large part from the Agency’s audited financial statements and provides an overview of the Agency’s financial activities and position.

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

Readers of this document who are interested in learning more about the specific operational, financial, and program details can refer to the Agency’s FY 17 CAFR with Audited Financial Statements. The CAFR and audited financial statements are available online at [www.cmsa.us/finance](http://www.cmsa.us/finance), by visiting us at 1301 Andersen Drive, San Rafael, CA 94901, or by contacting us at (415) 459-1455.

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

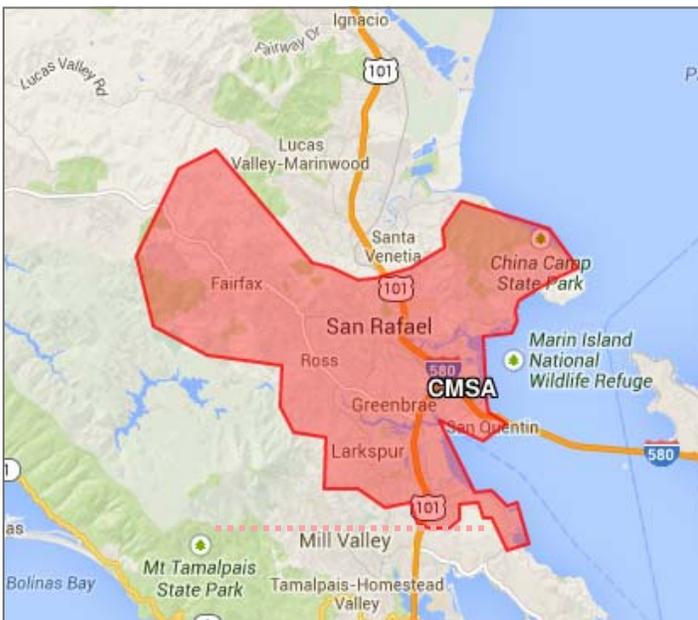
Respectfully submitted,



Jason R. Dow, General Manager



Ken Spray, Administrative Services Manager



### NACWA PLATINUM 12 AWARD

CMSA has received the Platinum 12 Peak Performance award from the National Association of Clean Water Agencies (NACWA) for eleven consecutive calendar years of obtaining 100% compliance with our National Pollutant Discharge Elimination System (NPDES) permit requirements.



Fewer than two percent of all wastewater treatment facilities nationally have achieved NACWA 5-Year Platinum Award Status.

## Local Economy and Statistics



Photo: downtownsanrafael.org



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

Marin's 3.1% average unemployment rate is the lowest rate in California and remains below national levels (4.4%) at the end of FY 17.



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



The local housing market continued to improve during FY 17. The annual mean/median sale price for a home in Marin as reported by the Marin County Assessor Office for the year ending December 31, 2016 was \$1,271,060/\$975,000.

Marin County has a total population of 260,651 with a growth rate of less than one percent annually. The county's residents continue to have California's highest average per capita income of \$109,076 per household. The population growth rate and per capita household income in the CMSA service area mirrors that of the county.

### THE POPULATION OF CITIES, TOWNS, AND CORRECTIONAL FACILITIES IN THE CMSA SERVICE AREA IS 104,500

Town of Corte Madera	9,858
Town of Fairfax	7,598
City of Larkspur	12,382
Town of Ross	2,467
Town of San Anselmo	12,599
City of San Rafael (Represents approximately two-thirds of the City's population)	39,500
San Quentin State Prison	4,004
Unincorporated Areas (San Quentin Village, Greenbrae, Kentfield, Sleepy Hollow, Tiburon peninsula)	16,092

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

BioMarin	1,700
San Quentin State Prison	1,662
Marin General Hospital	1,650
Dominican University	1,000
Golden Gate Bridge, Hwy and Transit District	810
College of Marin	507
Restoration Hardware	500
City of San Rafael	401
San Rafael City Schools	355
Kentfield Rehabilitation & Specialty Hospital	344

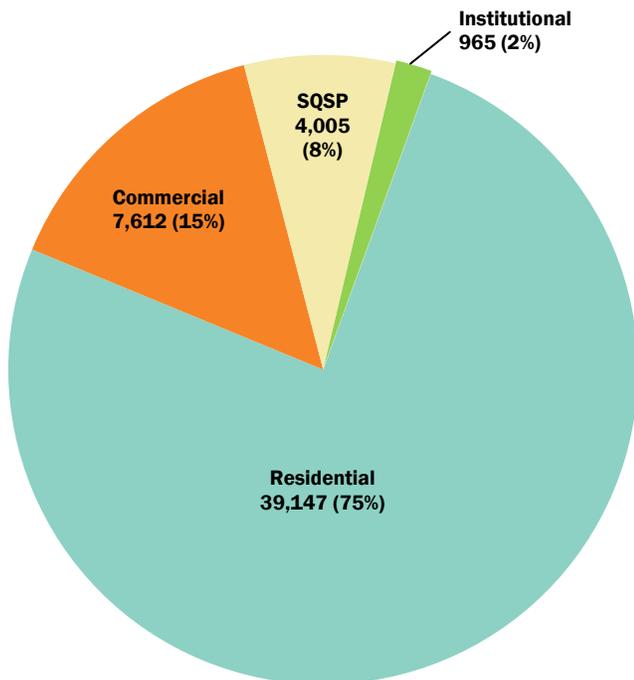
Sources: United States Census Bureau-Quick Facts, July 1, 2016; San Quentin State Prison SB-601 2017 Statistical Report.

## What CMSA Does

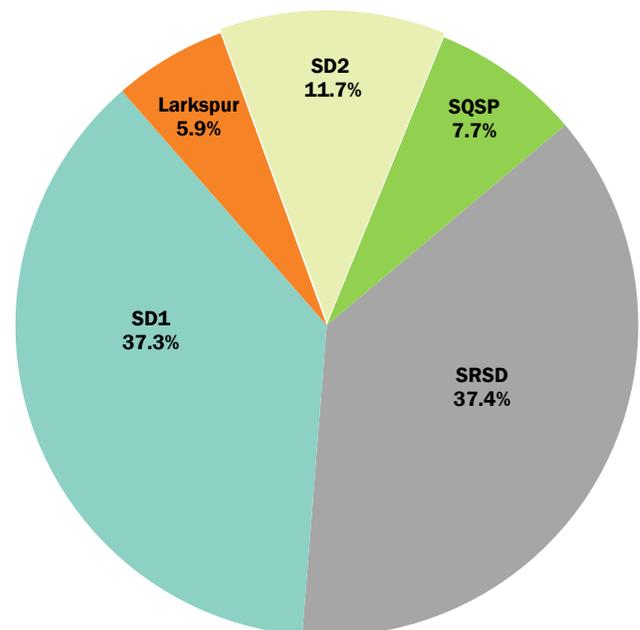
CMSA works to provide wastewater services to protect public health and the environment. The treated wastewater discharged into the central San Francisco Bay consistently meets and exceeds all federal, state, and regional regulatory requirements. In line with its core mission are responsibilities related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

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

### EDUs SERVED IN FY 17



### EDU TOTALS BY CONNECTION TYPE



#### WHAT ARE EDUS?

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

The Agency provides services to **51,729 EDUs** with an approximate service area population of **104,500**.

### WASTEWATER AND BIOSOLIDS TREATED IN FY 2017

Volume of total wastewater treated.....	5.2 billion gallons
Dry weather flow (July-Sept 2016) .....	8.2 million gallons/day
Average wastewater treated.....	13 million gallons/day
Total biosolids reuse .....	6,645 wet tons
Landfill Alternative Daily Cover .....	3,676 wet tons
Lystek Bio-Fertilizer .....	1,306 wet tons
Fertilizer/Soil Amendment.....	1,663 wet tons

## History and Organization



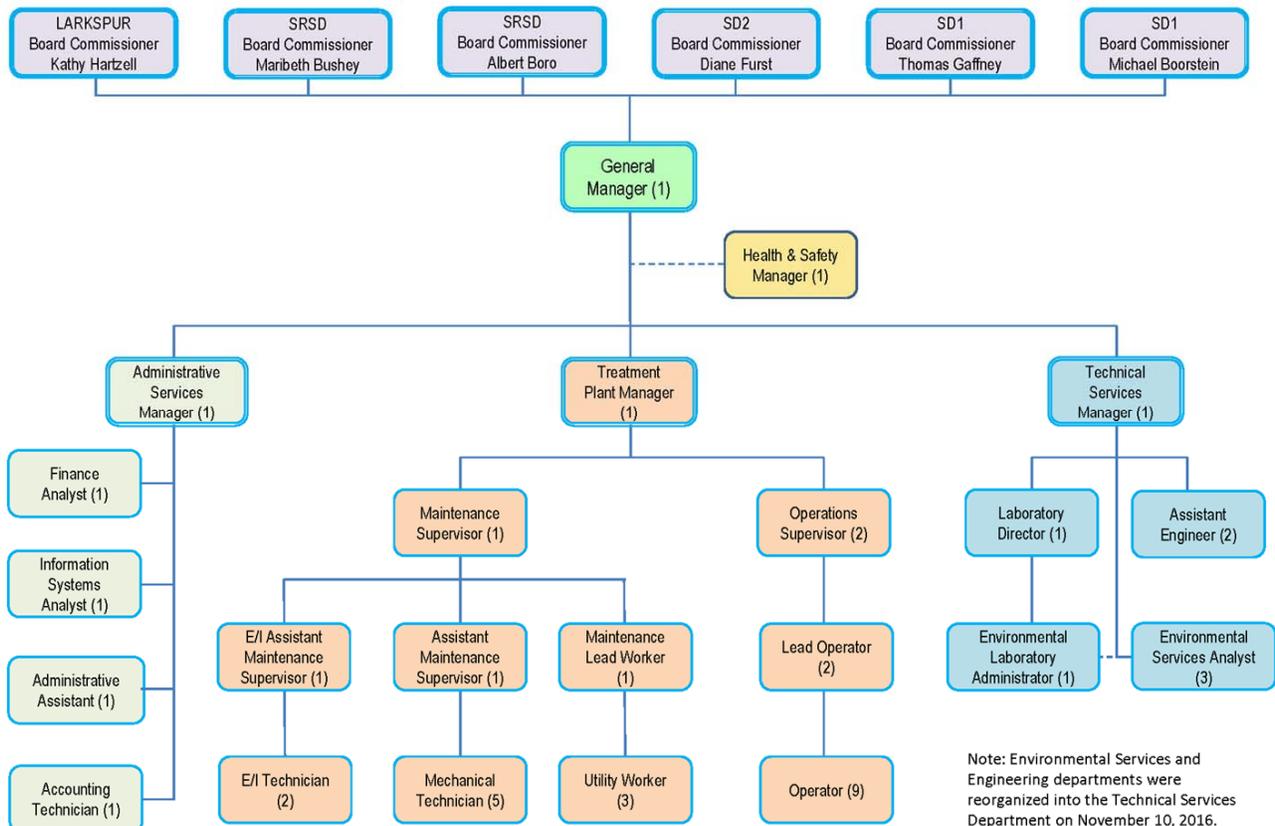
Faced with wastewater treatment challenges unique to central Marin County and the necessity to comply with the 1972 Federal Clean Water Act, Sanitary Districts No. 1 (SD1) and No. 2 (SD2) of Marin County, the City of Larkspur, and the San Rafael Sanitation District (SRSD) united in 1979 to form a joint powers agency (JPA) that created a separate government entity, the Central Marin Sanitation Agency (CMSA).

The CMSA wastewater treatment facility, the largest in Marin County, began service in January 1985.

The Agency's six-member Board of Commissioners (Board) are appointed by the governing bodies of each JPA member. SRSD and SD1 each have two representatives, while Larkspur and SD2 each have one. The Board sets policy, adopts the annual budget for the Agency, and appoints the General Manager and Treasurer/Controller who serve at the pleasure of the Board.

The General Manager is the chief executive officer and the Treasurer/Controller is responsible for all financial operations.

### CMSA ORGANIZATIONAL CHART



## Major Accomplishments and Initiatives

### FUTURE REVENUE PLANNING

The Agency updates a 10-year financial forecast each fiscal year to accompany the annual budget. These forecasts are a long-term budgetary examination of Agency operations and program revenues, operating expenses, capital expenses, and reserve balances.



The examination is the result of a collaborative process between Agency staff and the CMSA Board Finance Committee. It provides a strategic perspective to guide the Board in making decisions on the direction for future budgets, revenues, and the funding and uses of Agency reserves.

The prior five-year revenue plan for FY 13 - FY 18 closed, and a new five-year revenue plan is under development to begin in FY 19. Staff is preparing to meet with the Finance Committee to evaluate funding options for the operating and capital programs. The operating program is funded by discretionary regional service charges, other non-capital general sources, and general operating reserves. Capital programs are funded by capacity charges, a debt service coverage charge, a discretionary capital fee, and general capital reserves. The revenue program, once established, is fixed for the five-year duration unless unforeseen or unanticipated circumstances arise.

### DEPARTMENT REORG

After the retirement of a long-time Environmental Services Manager, the Environmental Services Department consolidated with the Engineering Department to form the new Technical Services Department. The purpose of the consolidation was to improve departmental administration, provide effective staff cross-training, enhance laboratory and source control communication with other departments, realize cost savings, and provide an overall higher level of service.

### POST-EMPLOYMENT BENEFITS

The Agency is subject to the provisions of a new accounting pronouncement, known as GASB 75 that is effective FY 18, for its post-retirement health care plan. Similar to pension, the total obligation for the OPEB plan will be reflected as a liability on the balance sheet. The plan currently is approximately 50% funded with an unfunded liability remaining in the amount of approximately \$2.5M. Increases or decreases in the obligation will now flow through the income statement and, if material, will be described in its two components of cash payments made as well as non-cash accruals recorded. For transparency, the Agency has also elected to post its OPEB actuarial valuation reports on the website.



### CALIFORNIA WATER ENVIRONMENT ASSOCIATION (CWEA) AWARDS



The Agency was recognized by the CWEA Redwood Empire Section with the following:

#### AGENCY AWARDS

##### ENGINEERING ACHIEVEMENT OF THE YEAR

*PG&E Interconnection Agreement Modification Project*

##### COMMUNITY ENGAGEMENT AND OUTREACH, PROJECT OF THE YEAR, LARGE BUDGET

*Wastewater Treatment Agencies of Marin County*

#### STAFF AWARDS

##### ELECTRICAL/INSTRUMENTATION PERSON OF THE YEAR

*Russ Turnbull*

##### MECHANICAL TECHNICIAN OF THE YEAR

*Abel Villarreal*

##### COMMUNITY ENGAGEMENT AND OUTREACH PERSON OF THE YEAR

*Jose Gutierrez*

##### SUPERVISOR OF THE YEAR

*Mark Koekemoer*

The Agency will also be eligible for consideration for state level awards which will be presented at the CWEA Annual Conference in April 2018.

## Major Accomplishments and Initiatives (continued)

### EXPANDED USE OF RECYCLED WATER

#### Truck Filling Program

In early 2016, a recycled water truck fill station was built and CMSA developed standard operating procedures for its use. Last year, San Rafael Sanitation District and Ross Valley Sanitary District received recycled water use permits from Marin Municipal Water District (MMWD) for sewer line flushing, and over the past year CMSA began providing recycled water to both agencies.



The program benefits both the environment and CMSA through diversion of food waste from the local landfill, reduction of regional greenhouse gas (GHG) emissions, reduced truck traffic on the freeway and local roads, and additional energy production at CMSA.

#### Recycled Water Feasibility Study

This important study was completed in late 2015, presented to both agencies' Boards, accepted by the State Water Board, and the grant funds were delivered to MMWD. Many project alternatives were developed and evaluated in the study. Due to several factors, MMWD decided that the recommended project will be considered in the future when its staff and Board evaluate alternate water supply options. It has been included in MMWD's 2040 Water Supply Master Plan.

### BAY AREA BIOSOLIDS COALITION

The solid material removed in the wastewater treatment process is treated, processed, and conditioned to meet local, state, and federal environmental quality requirements. The treated material, called biosolids, is then beneficially reused. Given new land application restrictions, California EPA's landfill organic material diversion regulations, and the state's focus on reducing greenhouse gas emissions to reduce the effects of global warming, CMSA is evaluating biosolids management alternatives. To this end, CMSA joined the Bay Area Biosolids Coalition to explore practical and feasible options to convert biosolids to a renewable resource, such as energy, hydrogen gas, or bio-diesel fuel.



### ORGANIC WASTE PROGRAM

CMSA's organic waste program is comprised of three components. First is the innovative and successful *Central Marin Food-to-Energy (F2E) Program*, a collaborative public-private partnership with Marin Sanitary Service (MSS) which collects pre-consumer food waste from restaurants, markets, and other similar businesses. The other two components include receiving fats, oils, and grease (FOG) from private haulers, and accepting other organic wastes such as brewery waste water and soy whey.



- Currently, 194 businesses are enrolled.
- About 8.0 tons of food waste and up to 25,000 gallons of FOG are received per day (Monday-Saturday).
- Produces enough biogas to run the Agency's energy generation system an average 23 hours per day.
- A plan for excess energy delivery to the electricity grid is underway.

### JPA REVISIONS

CMSA was formed by a Joint Powers Agreement (JPA) in 1979 and since then the JPA has been amended six times. In 2016, the JPA managers reviewed the amended JPA and determined several of its provisions were outdated or not applicable, and others had been superseded by CMSA Board adopted financial and personnel policies.

Throughout early 2017, the managers systemically revised the JPA's 26 provisions and then presented the preliminary proposed revisions to the CMSA Board and their respective agency Boards. Each Board agreed that the JPA needed to be revised and appointed a representative to serve on an ad hoc JPA Review Committee to work with the managers to prepare a new updated JPA. The managers anticipate having the new JPA ready for final review in early 2018, and adoption late that year.



## STRATEGIC BUSINESS PLAN



The Agency's Strategic Business Plan (SBP) is a guide to direct the Agency in charting a strategic path to effectively maintain and improve its operations and services. It sets priorities, focuses energy and resources, and guides fundamental decisions and actions that will shape the Agency for five years.

### Plan Development

The Agency maintains a standing committee, known as the Agency Strategic Planning Committee (ASPC), to oversee the implementation of the SBP's annual Business Plan activities, and develop a new Business Plan each fiscal year. The FY 18 Business Plan was approved by the Board this fiscal year, and includes 82 *Actions* to further its 19 *Objectives*, including:

- Maintaining the high performance of the treatment facility operations.
- Renewing the Agency's NPDES permit with the San Francisco Bay Regional Water Board.
- Preparing an Agency-wide facilities master plan.
- Developing the Agency's next multi-year revenue plan.
- Implementing steps to supply the Agency's extra power.
- Preparing a power monitoring plan for energy efficiency.
- Collaborating with stakeholders on programs to comply with CalRecycle's regulations on diverting organics from landfills.
- Improving Agency information management systems.

**The SBP may be found at [www.cmsa.us](http://www.cmsa.us).  
The FY 18 SBP Year-End Report and  
FY 19 Business Plan will be presented to the  
CMSA Board in July 2018.**

## PUBLIC EDUCATION

As the lead agency in administering the county-wide public education program for the six Marin County wastewater agencies that have treatment plants, CMSA continues to be innovative in developing public outreach measures to educate the general public in ways to reduce pollutants into the sanitary sewer and storm drain systems.

### Pharmaceutical Take-Back Program

For many years, the Agency has provided financial support to the Marin County Pharmaceutical Take-Back Program which reduces the amount of unused pharmaceutical products from being discharged directly into the sanitary sewers and local landfill. In Marin County, 6,948 pounds of unused pharmaceutical products were collected and properly disposed this year.



### Outreach Events

This year, CMSA participated in many Marin County public education and outreach events including the *Marin County Fair*, *Earth Day at Marin Academy*, *Fairfax Ecofest*, *Spring Marin Home and Garden Expo*, *Trunk or Treat*, *Scream on the Green*, *Novato Business Showcase*, *Wetlands Days* in Mill Valley, and local farmers markets around the county for *Earth Day* and *Pollution Prevention Week*. More than 3,500 visitors took an environmental quiz to win a prize, a fun way to educate adults and children about pollutants, what is safe to flush down the drain, and the proper use of storm drains.



### School Presentations and Performances

In FY 17, CMSA staff coordinated school outreach programs that reached over 3,700 elementary school students in Marin County. The program consists of an interactive and entertaining performance that educates students about what happens to water after it goes down household drains. The show includes juggling, comedy, and magic acts to teach the students about wastewater and other sanitation issues, and promotes awareness of our most precious natural resource, water.



## Capital Assets

As of June 30, 2017, CMSA's total capital assets, net of depreciation (a non-cash expense that reduces the value of capital assets), totaled \$83,554,374. This amount is broken down into asset categories shown in the chart below. Additions to capitalized assets totaled \$2,730,175 and are reported on the Condensed Statement of Net Position and in Note 4 in the FY 2017 CAFR financial statements section. The Agency also expensed an additional \$482,961 related to repairs and maintenance on capital equipment which can be found on the Condensed Statement of Revenues and Expenses and Changes in Net Position.

### CAPITAL ASSETS AS OF JUNE 30, 2017 (NET OF DEPRECIATION)

#### WASTEWATER TREATMENT FACILITIES

**\$71,058,793**  
(85% of capital assets)  
*Assets in this category include structures and equipment used in the treatment of wastewater and biosolids, and in energy production.*

#### LAND

**\$4,857,321**  
(5.8% of capital assets)  
*Lands owned by the Agency that buildings and treatment plant facilities occupy.*

#### CONSTRUCTION IN PROGRESS

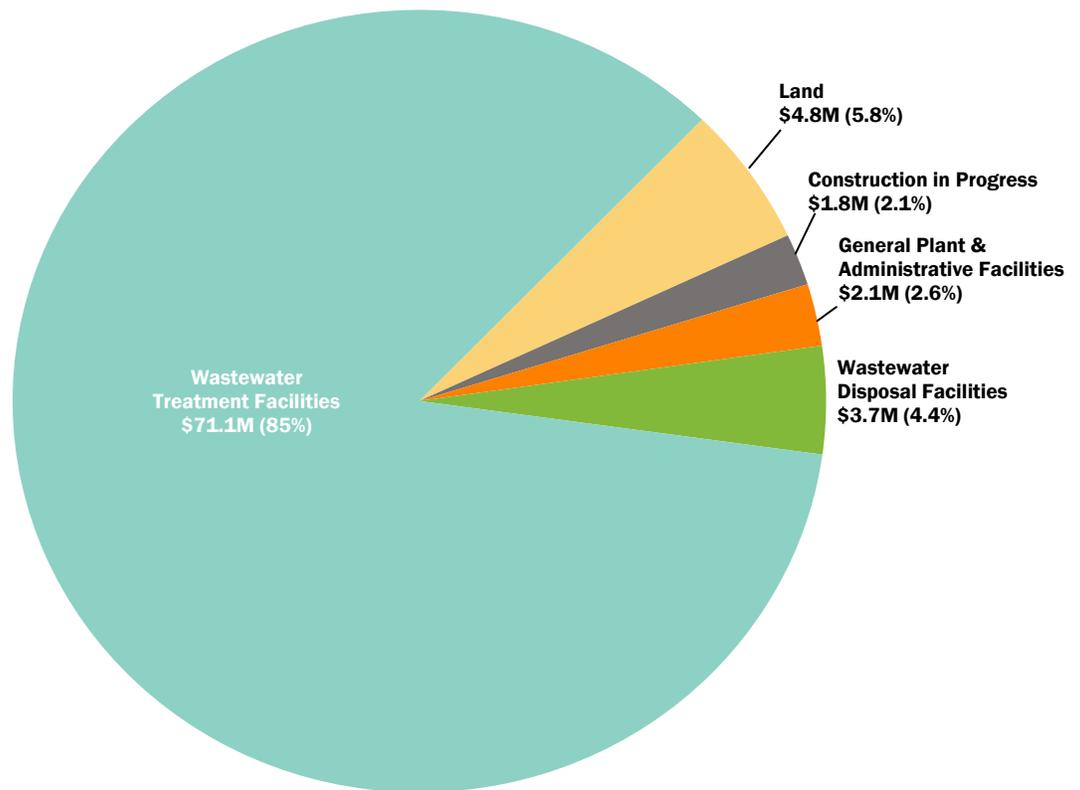
**\$1,785,460**  
(2.1% of capital assets)  
*Assets in this category include the following projects that have been completed or are currently underway: Odor Control System Improvements, Agency Facilities Master Plan, and the Maintenance Facility Modification project.*

#### GENERAL PLANT & ADMINISTRATIVE FACILITIES

**\$2,139,719**  
(2.6% of capital assets)  
*Assets in this category include Agency buildings, laboratory, and vehicles.*

#### WASTEWATER DISPOSAL FACILITIES

**\$3,713,081**  
(4.4% of capital assets)  
*Assets in this category include structures and equipment used in the discharge of treated wastewater into San Francisco Bay.*



Detailed budget and project information on the Agency's FY 2017 Capital Improvement Program can be found in the Agency's Adopted Budget at [www.cmsa.us/finance](http://www.cmsa.us/finance)

## Major Capital and Asset Management Projects

### MAINTENANCE FACILITY MODIFICATIONS

The Agency's facility includes maintenance buildings with storage space, offices, and work areas. These buildings also house tools used by Agency staff to repair various Agency mechanical and electrical equipment. Since the Maintenance Building and Maintenance Annex were constructed (1985 and 1995, respectively), the Agency's inventory and work space needs have changed.

In FY 15, the Agency conducted a needs assessment and initiated the design phase of the project. In FY 16, a consultant prepared design documents that included modifications to create office spaces and enclose the



open side of the maintenance building for storage, and construction of a new storage building adjacent to the



Maintenance Annex. The project was publically bid in FY 17 and a construction contract was awarded. The Agency expects to accept the project as complete in December 2017.

### AGENCY FACILITIES MASTER PLAN



In September 2016, the Agency began development of the 2017 Agency Facilities Master Plan, a planning level guide for future potential maintenance and capital projects for the Board to consider including in the Agency's next multi-year revenue program. The Plan

includes a wide range of operational, process, and regulatory matters, including technical assessments related to equipment and facility condition, biogas utilization alternatives, organic waste receiving facility expansion alternatives, nutrient removal technology assessments, biosolids management alternatives, biosolids dewatering options, secondary treatment process operations, solar power generation, sea level rise impacts, and a treatment plant model. Several of these tasks have been completed, and once all are complete, the consultant will prepare a final report and present the Plan's findings to the Board.

### INTERCONNECTION AGREEMENT MODIFICATIONS

Additional deliveries of organic feed stocks, such as grease and food waste, have significantly increased biogas generation in the Agency's anaerobic digesters. During FY 17, there were days when CMSA could have generated enough electricity to meet the facility's power demand and supply excess power to the local electrical grid. However, CMSA's



Interconnection Agreement (IA) with the local utility, PG&E, prohibited CMSA from delivering or exporting power.

In September 2016, the Agency submitted an IA Modification Application to PG&E which was accepted. A new IA was executed in May 2017 allowing CMSA to export excess power after certain PG&E and CMSA improvements have been constructed. Concurrently, a separate power sale agreement is being negotiated with Marin Clean Energy.

### ODOR CONTROL SYSTEMS

CMSA maintains a multi-story solids handling building where biosolids are processed, and then stored in hoppers prior to pick up. The working environment in the truck loading area is odorous and subject to truck exhaust during loading. To improve ventilation and working conditions, the Agency hired an engineering consulting firm to design ventilation improvements to the loading area, and included supplemental ventilation of the biosolids loading room, a new exhaust air system, and improvements that minimize the potential of an explosive atmosphere. The project's construction contract was awarded in January 2017 and construction was completed in July 2017.



## Key Financial Information

CMSA is a Joint Powers Authority, and is accounted for in a single enterprise fund. A comprehensive set of Board adopted financial policies provides direction to protect the Agency's assets and investments through sound financial management. The source of the information in this PAFR is consistent with generally accepted accounting principles (GAAP). Details can be found in the FY 17 CAFR available at [www.cmsa.us/finance](http://www.cmsa.us/finance).

### FY 17 BUDGET PERFORMANCE

The Agency uses the accrual method of accounting in accordance with GAAP to produce its financial statements. The cash basis is used to develop the annual budget. The Agency's primary revenue source is the regional sewer service charge. This table illustrates how the Agency uses the adopted budget to monitor and compare actual financial performance. GAAP and auditing standards do not require the adopted budget to be included in the audited financial statements.

### FY 2017 Condensed Statement Revenues & Expenses: Budget to Audited Actuals Performance

Revenues (Cash in)*	Adopted Budget	Audited Actuals
Sewer Service Charges	\$ 10,395,358	\$ 10,395,358
Debt Service	4,960,117	4,960,117
Contract and Other Operating Revenues	1,811,178	1,879,796
Non Operating Revenues **	76,500	139,088
Capital Contributions	—	330,079
<b>Total Revenues- All Sources</b>	<b>\$ 17,197,353</b>	<b>\$ 17,704,438</b>

Expenditures (Cash out)*	Adopted Budget	Audited Actuals*
Total Operating Expenses (net of non-cash depreciation)	\$ 11,580,480	12,747,895
Total Non-Operating & Bond Interest Expenses	1,773,094	1,752,699
<b>Total Expenses</b>	<b>\$ 13,353,574</b>	<b>\$ 14,500,594</b>
<b>Total Debt Service Principal Paid FY 2016</b>	<b>\$ 2,195,000</b>	<b>***\$ 2,195,000</b>

\*Contains accrued GASB 68 pension expenses in the amount of \$1,174,900.

\*\*The Agency does not budget for unforeseen or unpredictable non-operating revenue or expense sources.

\*\*\*Details available in the FY2016-17 CAFR, Note 5-Long-Term Obligations.

### AUDIT OF AGENCY'S STATEMENT BY INDEPENDENT AUDITOR

FY 2017 Comprehensive Annual Financial Report State statute requires an annual audit by independent Certified Public Accountants, which is filed with the State Controller's Office.

The Agency's FY 17 Financial Statements were audited by the Agency's auditor, Chavan & Associates, in accordance with GAAP auditing standards, and the statements met the State Controller's Minimum Audit Requirements for California Special Districts, which CMSA follows.

The Agency's Audited Financial Statements and accompanying Independent Auditor's Report were accepted by the CMSA Board in November, and can be found in the Agency's FY2016-17 CAFR, available at

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

## Statement of Net Position

The Statement of Net Position is a useful indicator of financial position. The largest portion of CMSA's net assets reflects its investment in capital assets (land, buildings, equipment, vehicles), less outstanding related debt used to acquire those assets. The Agency's Total Net Position decreased by \$841,512 in FY 17 because total expenses exceeded total revenues.



### CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2017

	2017	2016	Percent Change
<b>ASSETS</b>			
Current and Other Assets	\$ 15,685,241	\$ 15,519,819	1.1%
Capital Assets - Net	83,554,374	85,532,754	-2.3%
<b>TOTAL ASSETS</b>	<b>\$ 99,239,615</b>	<b>\$ 101,052,573</b>	<b>-1.8%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,961,780</b>	<b>4,734,100</b>	<b>25.9%</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 3,640,887	\$ 3,381,938	7.7%
Non-Current Liabilities	57,680,300	57,205,713	0.8%
<b>TOTAL LIABILITIES</b>	<b>\$ 61,321,187</b>	<b>\$ 60,587,651</b>	<b>1.2%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,260,848</b>	<b>1,738,149</b>	<b>-27.5%</b>
<b>NET POSITION CONTROL TOTAL</b>	<b>\$ 42,619,360</b>	<b>\$ 43,460,873</b>	<b>-1.9%</b>
Invested in capital assets net of debt	\$ 36,400,782	\$ 36,022,116	1.1%
Unrestricted	6,218,578	7,438,757	-16.4%
<b>TOTAL NET POSITION</b>	<b>\$ 42,619,360</b>	<b>\$ 43,460,873</b>	<b>-1.9%</b>

### DEFINITIONS

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

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

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

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

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

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

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

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

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

## Statement of Revenue & Expenses and Changes in Net Position



This statement summarizes CMSA's operating and non-operating revenues and expenses. CMSA's main sources of revenue are the regional sewer service charges received from JPA members and contract revenues from providing wastewater services to San Quentin State Prison and Sanitary District No. 2. Service charges pay for operating expenses, capital improvements, and debt service. Operating revenues increased as a result of a scheduled service charge rate increase. Non-operating revenues increased due to higher interest rates earned on LAIF and CAMP investments. Total expenses increased due to increased salary and benefit costs and pension accruals related to GASB 68.

### CONDENSED STATEMENT OF REVENUES, EXPENSES, & NET POSITION AS OF JUNE 30, 2017

	FY 2015	FY 2016	FY 2017	Percent Change
<b><u>REVENUES</u></b>				
Operating Revenues	\$ 17,000,940	\$ 16,495,058	\$ 17,235,271	4.5%
Non-Operating Revenues	872,173	95,753	139,088	45.3%
<b>TOTAL REVENUES</b>	<b>\$ 17,873,113</b>	<b>\$ 16,590,811</b>	<b>\$ 17,374,359</b>	<b>4.7%</b>
<b><u>EXPENSES</u></b>				
Operating Expenses	13,419,393	15,261,150	16,793,252*	10.0%
Non-Operating Expenses	2,800,854	1,396,084	1,752,699	25.5%
<b>TOTAL EXPENSES</b>	<b>\$ 16,220,247</b>	<b>\$ 16,657,234</b>	<b>\$ 18,545,951</b>	<b>11.3%</b>
Net Income (Loss) before Capital Contributions	1,652,866	(66,423)	(1,171,592)	1663.8
Capital Contributions-Capacity Charges	415,845	162,705	330,079	102.9%
<b><u>CHANGE IN NET POSITION</u></b>	<b>\$ 2,068,711</b>	<b>\$ 96,282</b>	<b>\$ (841,513)</b>	<b>-974.0%</b>
<b><u>BEGINNING NET POSITION AS RESTATED</u></b>	<b>41,295,879</b>	<b>43,364,590</b>	<b>43,460,872</b>	<b>0.2%</b>
<b>ENDING NET POSITION</b>	<b>\$ 43,364,590</b>	<b>\$ 43,460,872</b>	<b>\$ 42,619,359</b>	<b>-1.9%</b>

\*Adjusting for non-cash GASB 68 pension accrual amounts to \$15,618,352, or 2.3%.

### DEFINITIONS

**CAPITAL CONTRIBUTIONS-CAPACITY CHARGES:**

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

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

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

**NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS:**

The difference between total revenue less total expenses.

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

**OPERATING EXPENSES:** Expenses incurred for the provision of wastewater services.

**OPERATING REVENUE:** Revenues received for services, inspections, and program services provided by CMSA.

## Where the Money Comes From (Revenues)



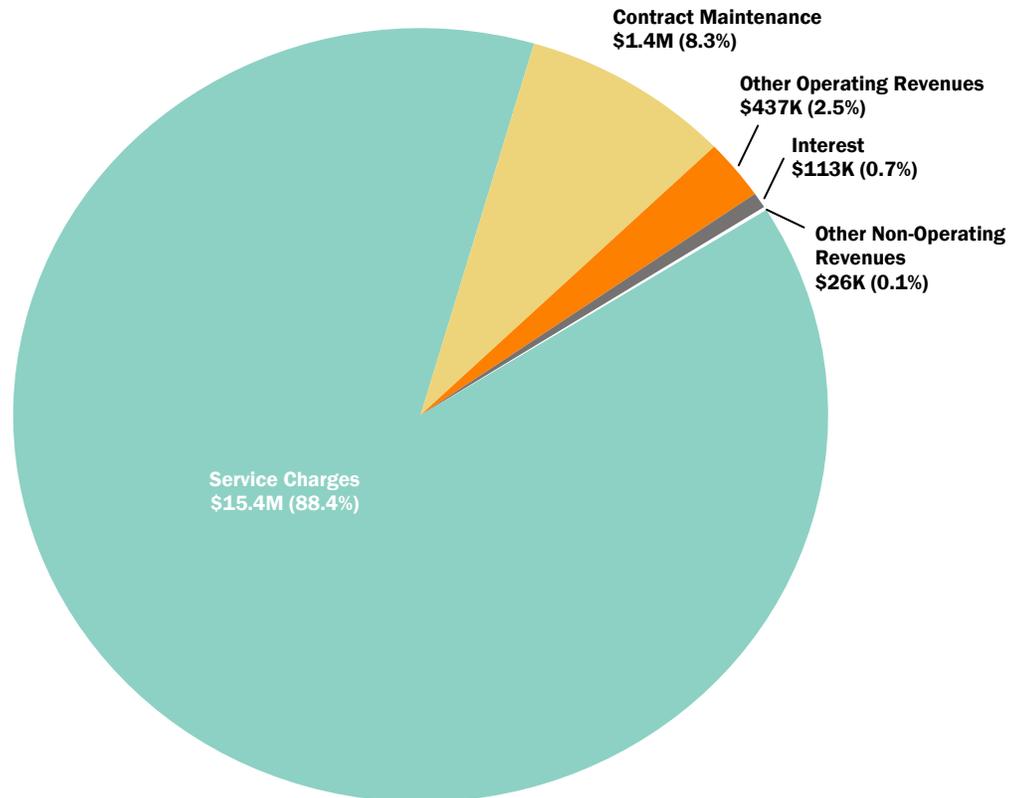
CMSA's total revenues for FY 17 were \$17,374,359 excluding capital contributions. Operating revenues totaled \$17,235,271 and included \$4,960,117 collected for debt service.\* Non-operating revenues and interest totaled \$139,088.

An additional \$330,079 in capital contributions shown on the Condensed Statement of Revenues, Expenses, and Changes in Net Position is not shown on this chart.

California Government Code requires:

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

CMSA's practice is to spend contributions received on a first-in-first-out basis to finance capital programs. Accordingly, no interest was posted to capital contributions and there was no outstanding balance at fiscal year-end.



\*Debt service is a fee collected for the repayment of revenue bond principal, interest, and debt coverage. In FY 17 the Agency paid \$2,195,000 in principal and incurred \$1,914,744 in interest expense.

## DEFINITIONS

**CONTRACT MAINTENANCE:** Revenues received from other sanitary agencies or government entities for wastewater treatment and pump station services.

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

**OTHER OPERATING REVENUES:** Revenues received and fees charged for permit and inspections, administration of programs for other government entities, and facility use charges for septic and foodwaste disposal.

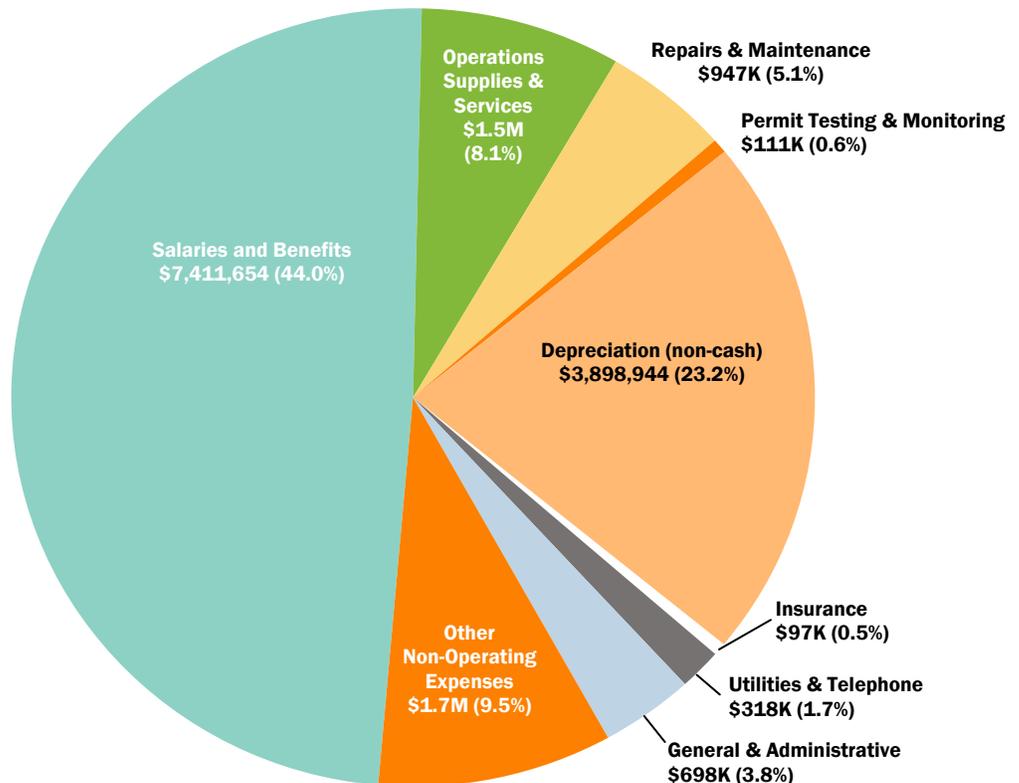
**SERVICE CHARGES:** A fee charged to JPA members and SQSP for wastewater treatment service and their share of the Refunding Revenue Bond Series 2015 debt service payment.

## Where the Money Goes (Expenses)



CMSA FY 17 total operating expenses were \$18,545,951 of which \$16,793,252 were actual operational expenses, and \$1,752,699 were non-operating expenses. CMSA recorded \$4,045,357 in depreciation, a non-cash expense.

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



## DEFINITIONS

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

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

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

**INTEREST EXPENSE:** The interest payments due for borrowing money for the Refunding Revenue Bond Series 2015.

**PERMIT & MONITORING TESTING:** Laboratory fees

related to wastewater sampling and monitoring services, other regulatory compliance fees, and laboratory supplies.

**PLANT OPERATIONS:** Expenses include purchases for chemicals used in treatment, fuel, and biosolids hauling and disposal fees.

**REPAIRS & MAINTENANCE:** Includes facility expenses to maintain vehicles, equipment, engine generators, tools, supplies, and groundskeeping.

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

**UTILITIES & TELEPHONE:** Expenses include electricity, natural gas, garbage, water, telephone, and internet.

# GFOA Award for Outstanding Achievement



Government Finance Officers Association



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Central Marin Sanitation Agency for its Popular Annual Financial Report for the fiscal year ended June 30, 2016. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting a government unit must publish a Popular Annual Financial Report, whose contents conform to standards of creativity, presentation, understandability and reader appeal.



Government Finance Officers Association

## Certificate of Achievement for Excellence in Financial Reporting

Presented to  
**Central Marin Sanitation Agency**  
**California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Jeffrey R. Egan*  
Executive Director/CEO

THESE AGENCY ANNUAL REPORTS CAN BE FOUND AT [WWW.CMSA.US](http://WWW.CMSA.US)

### Green Business Annual Report

Summarizes recycling, disposal, product reuse, energy efficiency and other green business activities

### FY 2016-17 Comprehensive Annual Financial Report with Audited Financial Statements

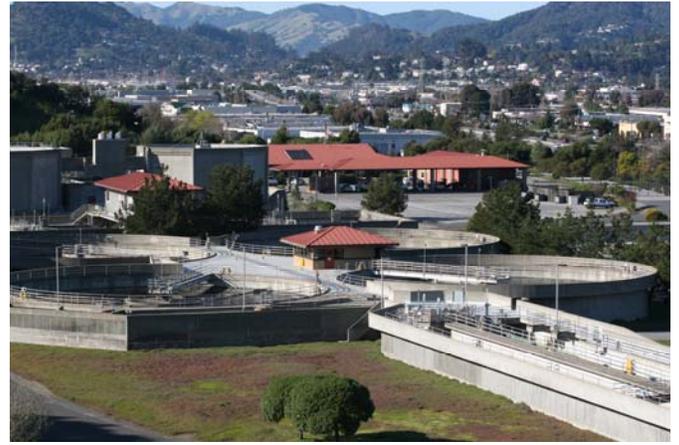
### FY 2016-20 Strategic Business Plan

To effectively maintain and improve operations and services

### FY 2017-18 Adopted Budget

## OUR VISION

Central Marin Sanitation Agency will be an industry leader by providing innovative, efficient, and sustainable wastewater services, capturing and utilizing renewable resources, and delivering renewable power.



## OUR VALUES

CMSA values...

Consistent and continuous regulatory compliance to protect San Francisco Bay.

Effective asset management through appropriate short- and long-term planning and sustainable practices.

A safe and healthy workplace for its employees and stakeholders.

Professional growth, teamwork, and job satisfaction within a diverse workforce.

Quality public outreach and education to promote environmental stewardship.

Partnerships which further common water quality and resource recovery interests.



**CENTRAL MARIN SANITATION AGENCY**

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