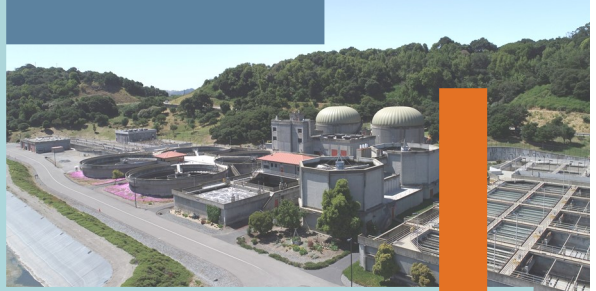




POPULAR
ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JULY 01, 2019 — JUNE 30, 2020

CENTRAL
MARIN
SANITATION
AGENCY



1301 ANDERSEN DRIVE SAN RAFAEL
CA 94901 415-459-1455

administration@cmsa.us www.cmsa.us

facebook.com/centralmarinsa/

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JULY 01, 2019 — JUNE 30, 2020

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EDITORS:

KEN SPRAY ADMINISTRATIVE SERVICES MANAGER

HEIDI LANG SENIOR ACCOUNTANT

KATE BROUILLET ADMINISTRATIVE SPECIALIST

December 10, 2020

Dear Reader,

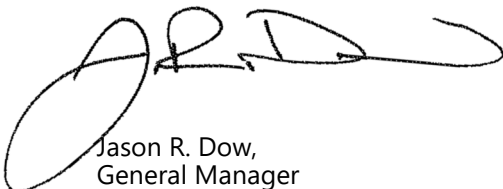
Central Marin Sanitation Agency (CMSA) is pleased to present its **Popular Annual Financial Report** (PAFR) for the fiscal year ended June 30, 2020 (FY20). The PAFR is published to provide readers with easy-to-understand facts about the CMSA organization, as well as its finances, wastewater services, and other pertinent material. The financial information within this report is taken in large part from the Agency's audited financial statements and provides an overview of the Agency's financial activities and position.

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

Readers of this document who are interested in learning more about the specific operational, financial, and program details can refer to the Agency's FY20 CAFR with Audited Financial Statements. They are available online at **www.cmsa.us/finance**, by visiting us at 1301 Andersen Drive, San Rafael, California, or by contacting us at (415) 459-1455.

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

Respectfully submitted,



Jason R. Dow,
General Manager

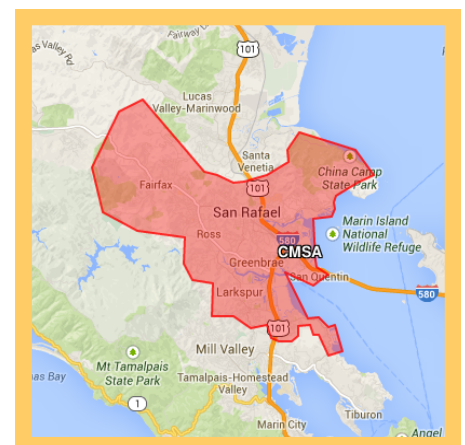


Ken Spray,
Administrative Services Manager

OUR MISSION

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

OUR SERVICE AREA



GOLD AWARD 2019



LOCAL ECONOMY AND STATISTICS



The local housing market continued to improve during FY20. The annual mean/median sale price for a home in Marin, as reported by the Marin County Assessor Office for the year ending June 30, 2020, was **\$1.79M/\$1.30M**.

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

Marin's 4.4% average unemployment rate is among the lowest rate in California and remained below national levels (6.0%) at the end of FY20.

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

Marin County has a total population of 262,092 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 **\$134,275** per household. The population growth rate and per capita household income in the CMSA service area mirrors that of the county.



THE POPULATION OF CITIES, TOWNS, AND SAN QUENTIN STATE PRISON IN THE CMSA SERVICE AREA IS 104,500

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

City of San Rafael (Represents approximately two-thirds of the City's population)	39,500
Unincorporated Areas (<i>San Quentin Village, Greenbrae, Kentfield, Sleepy Hollow, Tiburon</i>)	16,091
Town of San Anselmo	12,599
City of Larkspur	12,382
Town of Corte Madera	9,858
Town of Fairfax	7,598
San Quentin State Prison	4,005
Town of Ross	2,467

BioMarin	1,700
Marin General Hospital	1,650
San Quentin State Prison	1,614
Dominican University	1,200
Golden Gate Bridge, Hwy and Transit District	828
College of Marin	529
Restoration Hardware	500
Tamalpais Union High School District	409
City of San Rafael	405
San Rafael City Schools	362

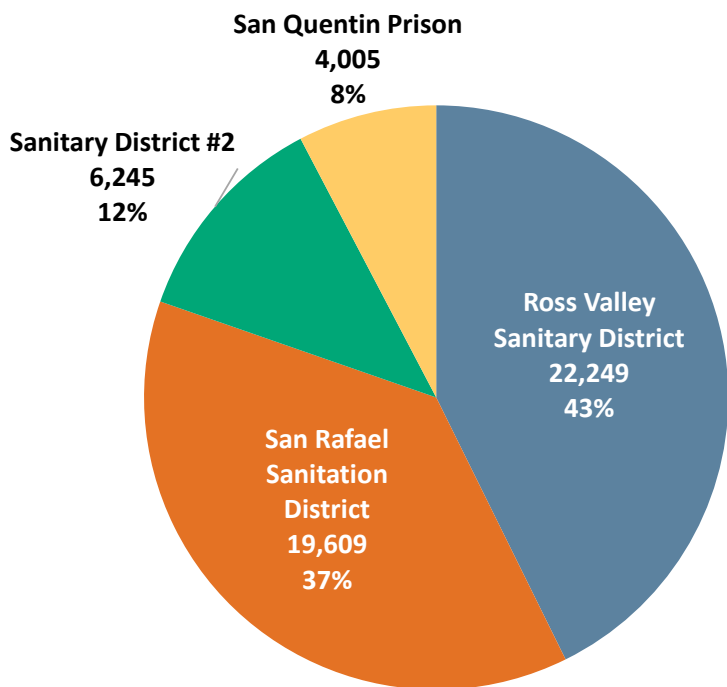
Sources: United States Census Bureau-Quick Facts, July 1, 2016; San Quentin State Prison SB-601 2020 Statistical Report.

WHAT CMSA DOES

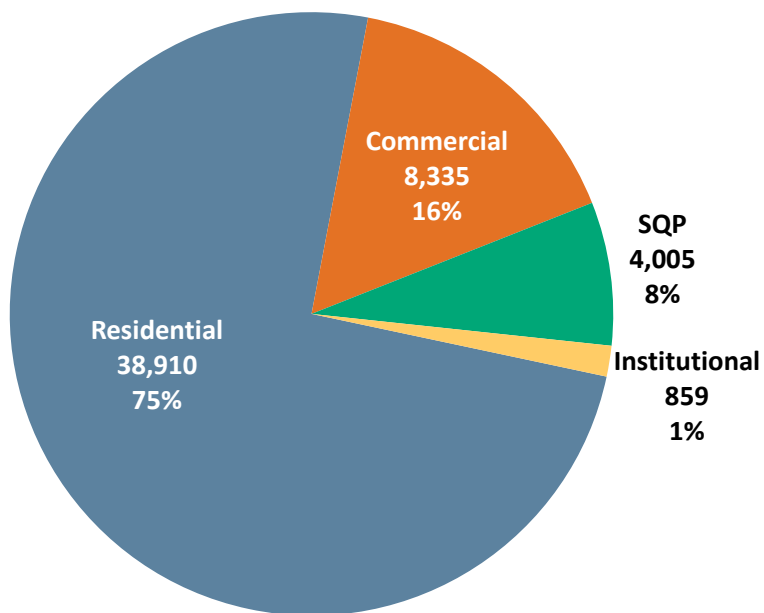
CMSA provides wastewater services to protect public health and the environment. The treated wastewater discharged into the central San Francisco Bay consistently meets and exceeds all federal, state, and regional regulatory requirements. In line with its core mission are responsibilities related to:

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

EDUS SERVED IN FY20



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 52,108 Equivalent Dwelling Units with an approximate service area population of 104,500.

WASTEWATER AND BIOSOLIDS TREATED IN FY20

Volume of total wastewater treated	3.83 billion gallons
Average dry weather influent flow (July-Sept 2019)	8.5 million gallons/day
Average wastewater treated	10.5 million gallons/day
Total biosolids reuse	5,982 wet tons
Landfill Alternative Daily Cover	2,670 wet tons
Land-Applied Fertilizer/Soil Amendment	1,278 wet tons
Liquid Bio-Fertilizer	2,034 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, Ross Valley Sanitary District (RVSD), Sanitary District No. 2 (SD2) of Marin County, the City of Larkspur, and the San Rafael Sanitation District (SRSD) united in 1979 to form a joint powers agency (JPA) that created a separate government entity, the Central Marin Sanitation Agency. The CMSA wastewater treatment facility began service in May 1985.



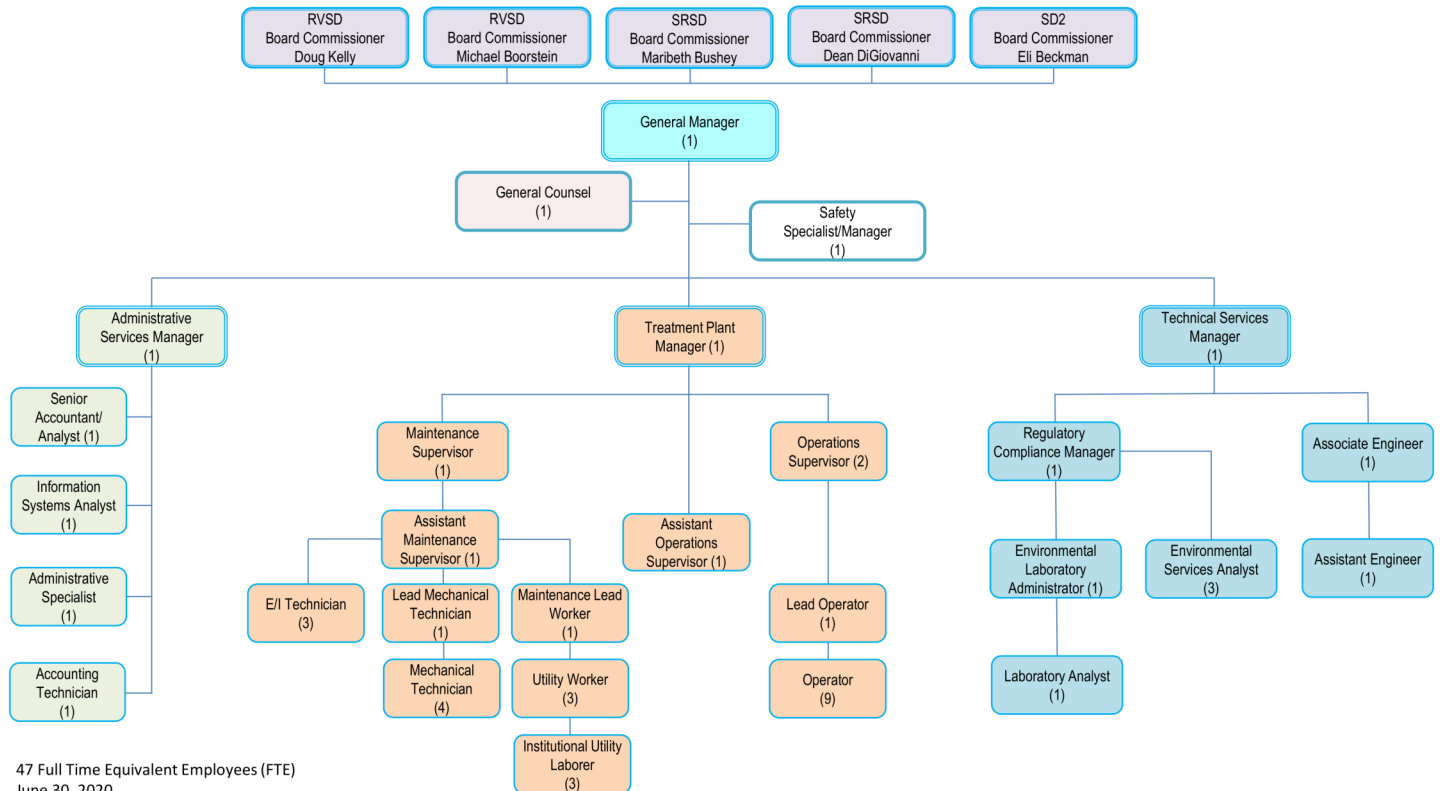
President Richard Nixon signing the Clean Water Act in 1972.

Since then, the JPA has been amended eight times. The most recent revisions were made in 2018 to update numerous provisions that were outdated or not applicable, and to reflect CMSA's current business practices and operations.

In late 2018, the Larkspur City Council decided to withdraw from the JPA for several reasons, in part because its wastewater operations were annexed into the RVSD in 1993. A withdrawal agreement and the revised JPA to reflect Larkspur's withdrawal and the reduced number of CMSA Commissioners, were approved by the JPA member agencies in January 2020.

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

ORGANIZATIONAL CHART



MAJOR ACCOMPLISHMENTS AND INITIATIVES

PLANNING FOR THE FUTURE

The Agency's Strategic Business Plan (SBP) is a guide to direct the Agency in charting a strategic path to set priorities, focus energy and resources, and guide fundamental decisions and actions that will shape the Agency for five years, in one-year increments.

The Agency Strategic Planning Committee oversees the implementation of annual Business Plan activities, and to develop a new Business Plan each fiscal year.

Highlights of the plan include:

- Maintain the high performance of the treatment facility's operational processes
- Deliver critical and high priority Agency projects
- Regularly evaluate existing fiscal practices and procedures and develop new procedures as necessary
- Implement the new financial software system
- Prepare transparent financial documents
- Issue debt to fund the capital improvement program
- Implement steps to enhance the Agency power delivery program
- Perform a digester volatile solids loading pilot study
- Increase the Agency's energy efficiency through implementation of the power monitoring program
- Collaborate with stakeholders on programs to comply with CalRecycle's regulation on diverting organics from landfills



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

REDUCING POLLUTION FROM THE SOURCE

Mercury Reduction Program. CMSA regulates dental offices that use dental amalgam used to fill cavities in teeth, as it is the largest controllable source of mercury discharged to the sanitary sewer in unindustrialized areas.

FOG Source Control Programs. CMSA assists local wastewater agencies in the administration of Fats, Oils, and Grease (FOG) source control programs that help to reduce sewer blockages and prevent sanitary sewer overflows caused when grease is discharged directly into the sanitary sewers.

ORGANIC WASTE PROGRAM

CMSA's organic waste program is comprised of the innovative Central Marin Food-to-Energy (F2E) program and a separate program where CMSA receives and processes grease from private haulers.



Food waste being sorted at MSS.

F2E was launched in January 2014, with Marin Sanitary

Service (MSS) collecting pre-consumer food waste from restaurants, markets, and other similar businesses. Collected food waste is processed at MSS then transported to CMSA, where it is mixed with FOG and other liquid organic wastes, and then injected into the anaerobic digesters. Once in the digesters, the mixture is co-digested with wastewater solids to produce additional biogas, a form of methane gas, that is used as fuel in the Agency's power generation system.

The benefits of this public-private partnership include diversion of food waste from landfill, reduction of greenhouse gas emissions, reduced truck traffic, and additional energy production at CMSA. Enough additional biogas was produced to run the Agency's energy generation system up to an average 19 hours per day.

DELIVERING GREEN POWER TO THE GRID

CMSA is developing a power delivery program, and when fully implemented, CMSA will be energy self-sufficient and regularly deliver renewable power to the electrical grid.

Highlights from this year include:

- In May 2019, CMSA began delivering renewable power to the local electrical grid for sale to Marin Clean Energy (MCE) under a 10-year Power Purchase Agreement.
- The final design for a new higher capacity and more energy-efficient cogeneration system was completed that will produce additional renewable power from the Agency's biogas resources.
- A new Interconnection Agreement with the local power utility, Pacific Gas & Electric, was prepared and adopted to allow power delivery to their electrical grid.



MAJOR ACCOMPLISHMENTS AND INITIATIVES

SUPPORT AND EXPERTISE

CMSA provides a variety of wastewater-related services for public agencies in our service area.

Sanitary District No 2's nineteen pump stations.

CMSA supported three scheduled capital improvement projects and provided 24-hour support during the PG&E Public Safety Power Shutoffs (PSPS) in October through November 2019, which affected 99% of Marin County's metered locations.

San Quentin State Prison (SQSP) main pump station and forcemain.

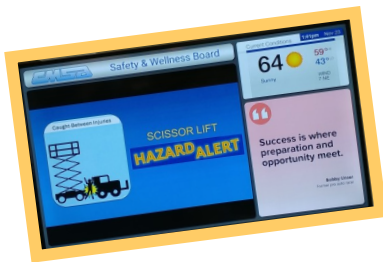
SQSP requested CMSA to assume a greater role in the operation of the influent side of the prison's main pump station. Three new Industrial Utility Laborers were trained to perform the pump station influent work on a daily basis.

San Quentin Village Sewer Maintenance District's collection system and pump station.

CMSA hired a septage hauling company to vacuum clean the pump station wet well and clean and conduct a closed-circuit television inspection of the gravity sewer pipelines.

ELECTRONIC SAFETY MESSAGING

A pilot program was launched using digital flat screen bulletin boards to reinforce safety and wellness message topics in a dynamic and eye-catching format. Content is regularly updated by the Safety Department and an online subscription service.



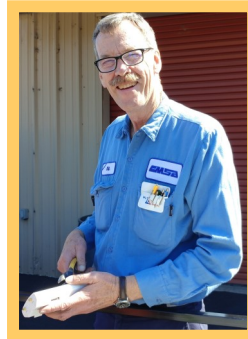
In response to the coronavirus pandemic, staff received timely communications for

COVID-19-related instructions, education, and updates. Activities also included tailgate and online training sessions.

STAFF TRANSITIONS AND OPPORTUNITIES FOR TEMPS

CMSA conducts succession planning by department each year to address the need for the creation of short-term positions, mentoring positions for retiring employees, and overstaffing for transitioning prior to an employee's retirement. This year staff members were hired to fill vacancies for an Associate Engineer, Mechanical Technician, Environmental Services Analyst, Operator-in-Training, and three Institutional Utility Laborers.

Student Internship Program. Opportunities are provided for students seeking careers in the water or wastewater industry to gain exposure in a public sector environment and enhance academic training. The Agency has welcomed interns in the environmental laboratory and the engineering work group.

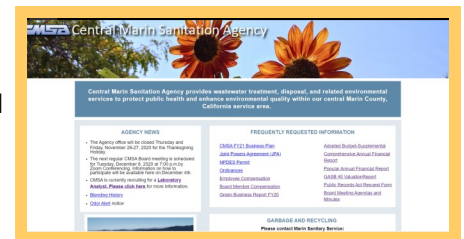


Retired Annuitants. The Agency benefits from hiring retirees who are able to contribute their unique expertise on special projects.

PARS for Temporary Employees. CMSA provides retirement contributions for interns and retired annuitants through PARS, the Public Agency Retirement System. It replaces Social Security and provides more retirement pension options for temporary employees.

WEBSITE MAKEOVER

A business plan item completed over the past year was to prepare and launch a new Agency website. Staff initially performed a comprehensive review of the existing website and surveyed comparable sites. A new, clean, user-friendly design was developed, and content was placed using standard page templates for a unified look and feel. The website scales automatically for viewing on a desktop, laptop, cellphone, or tablet.



Visit www.cmsa.us to see the new look!

NEW FINANCIAL SOFTWARE

The Agency purchased Tyler Technologies Incode financial software to replace an outmoded legacy program. Incode is a sophisticated and robust system that largely eliminates the use of spreadsheets and routing of paper documents through electronic approval, notifications, and document management capabilities. Users can view data, create reports, prepare budgets, manage projects, perform accounting and purchasing tasks, and securely log-in to work remotely. Staff is very excited as they bring each function live and start using the new system.

LOOKING TEN YEARS AHEAD

The Agency updates a 10-year financial forecast during the development of the biannual budget. These forecasts are a



long-term examination of Agency operations and program revenues, operating expenses, capital costs, 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 funding and uses of Agency reserves.

FUNDING FOR CAPITAL PROJECTS

The Agency is planning to issue debt in FY21 to finance construction of various capital projects. The new debt issue was contemplated in conjunction with the Finance Committee at the time of the FY20 and FY21 two-year budget preparation, and will consist of construction funds estimated at approximately \$9M, plus a provision for costs of issue. Terms of the new debt call for annual debt service in the amount of approximately \$560,000 at 2% interest with maturity in June 2041. Debt service will be funded through the net revenues of the wastewater facility. The estimated increase in debt service is included in the financial forecast and the current five-year revenue plan.



COMMUNITY EDUCATION

CMSA is the lead agency in the countywide public education program for the six Marin County wastewater agencies that have treatment plants. This innovative program educates the public on ways to reduce pollutants into the sanitary sewer and storm drain systems. Unfortunately, numerous planned in-person public outreach events had to be cancelled after March 2020, due to the COVID-19 pandemic and associated shelter-in-place orders.

Safe RX Disposal

The *RxSafe Marin MED Project* provides literature to the public on how to properly dispose of unused pharmaceutical products. CMSA provides this literature at our public outreach events. In Marin County, 11,220 pounds of unused pharmaceutical products were collected and properly disposed of in calendar year 2019.

Fairs, Showcases, and Farmer's Markets

CMSA participated in many Marin County events in 2019, including the Marin County Fair, Earth Day at Marin Academy, Fairfax Ecofest, Senior Information Fair, Trunk or Treat, Scream on the Green, Novato Business Showcase, National Night Out in Mill Valley, and local farmers markets around the county for Earth Day and Pollution Prevention Week. A total of 2,927 environmental quizzes were given to both adults and children. Participants who took the quiz received a prize and gained valuable knowledge on sustainable pollution prevention practices.



Fun School Shows for Kids

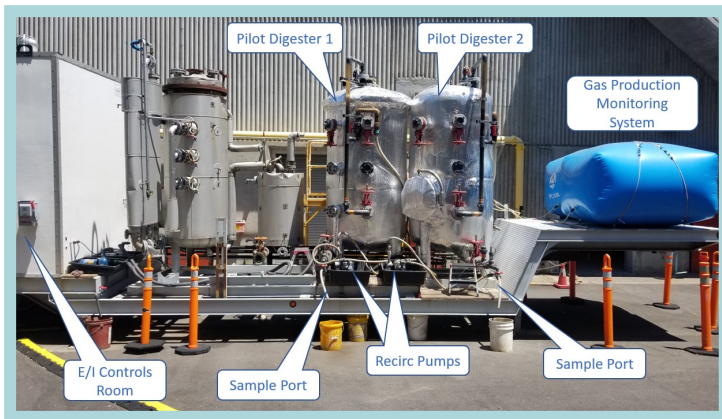
CMSA staff coordinated school outreach programs that reached 4,354 elementary school students in Marin County. The program consists of an interactive and entertaining performance by a juggler who educates students about what happens to water after it goes down household drains. The show includes juggling, comedy, and magic acts promote awareness of our most precious natural resource, water.

Prior to March 2020, staff also visited classrooms at Ross Valley Charter School, Glenwood Elementary School, and the Marin School of Environmental Leadership high school program.



After March 2020, all classroom visits were cancelled, and beginning in April 2020, the juggler performance shifted from in-person to virtual in response to the COVID-19 protocols.

MAJOR CAPITAL AND ASSET MANAGEMENT PROJECTS



PILOT STUDY YIELDS RESULTS

Since October 2019, operations, maintenance, environmental services, laboratory, and engineering staff have collaborated to operate and monitor the performance of two pilot digesters. The goal of the study is to determine the maximum digester loading rate of external organic feedstocks (i.e. food waste and fats, oils, and grease) in relation to wastewater solids. The higher the threshold, the more biogas CMSA could ultimately make from these feedstocks using existing excess digester capacity.

Over the year, the project team progressively increased the external organic feedstock loading rate from an average of 30 to over 50 percent. Assuming the organic feed loading can be maintained relatively stable throughout the first half of FY21, CMSA would be able to draw firm conclusions on organic feedstock loading limits and develop a detailed plan for the next steps of the digester pilot study.

UPGRADED COGENERATION SYSTEM TAKING SHAPE

Based on the recommendations of a recent Master Plan, CMSA hired an engineering consultant to initiate Cogeneration System predesign work in FY19. The predesign evaluated multiple cogeneration technology options including engines, fuel cells, and microturbines, and recommended the construction of a new cogeneration engine to be installed in the empty bay inside the existing cogeneration room in the solids handling building. After a year of planning and preparation, CMSA staff welcomed the new 995 kilowatt engine that will increase the facility's power and maximize the amount of renewable energy that can be made from the Agency's biogas resources.

While the cogeneration system was ordered and being delivered to CMSA in August 2020, the final design was completed in parallel and the Cogeneration System Installation project was advertised for public bidding in September 2020, with bids expected by the end of November 2020. Construction is scheduled to begin in December 2020 and is expected to be completed around December 2021.

INSPECTING THE PIPELINES

In FY20, staff hired a specialized consultant to inspect several underground pipelines in the facility to understand the current conditions and what repairs, if any, might be necessary. Due to the complex shutdown requirements to facilitate an inspection, several of these pipelines had not been inspected since the original plant was constructed in the 1980s.

Ultrasonic testing and soil resistivity testing was done to determine the degree of exterior corrosion. To observe the interior conditions, the pipelines were cleaned and a closed-circuit television was used to capture images. In-person entries were also performed for the larger pipelines.

After all the inspections are completed, a summary and a risk assessment will show what repairs may be necessary.



Technicians testing pipe thickness.



Newly purchased larger capacity, more energy-efficient Jenbacher cogeneration engine.

CAPITAL ASSETS

As of June 30, 2020, CMSA's total capital assets, net of depreciation (a non-cash expense that reduces the value of capital assets), totaled \$76,313,394. This amount is broken down into asset categories shown in the chart below. Additions to capitalized assets totaled \$3,314,983 and are reported on the Condensed Statement of Net Position and in Note 5 in the FY20 CAFR financial statements section. The Agency also expensed an additional \$145,479 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.

WASTEWATER TREATMENT FACILITIES
(81.5% of capital assets)
Assets in this category include structures and equipment used in the treatment of wastewater and biosolids, and in energy production.

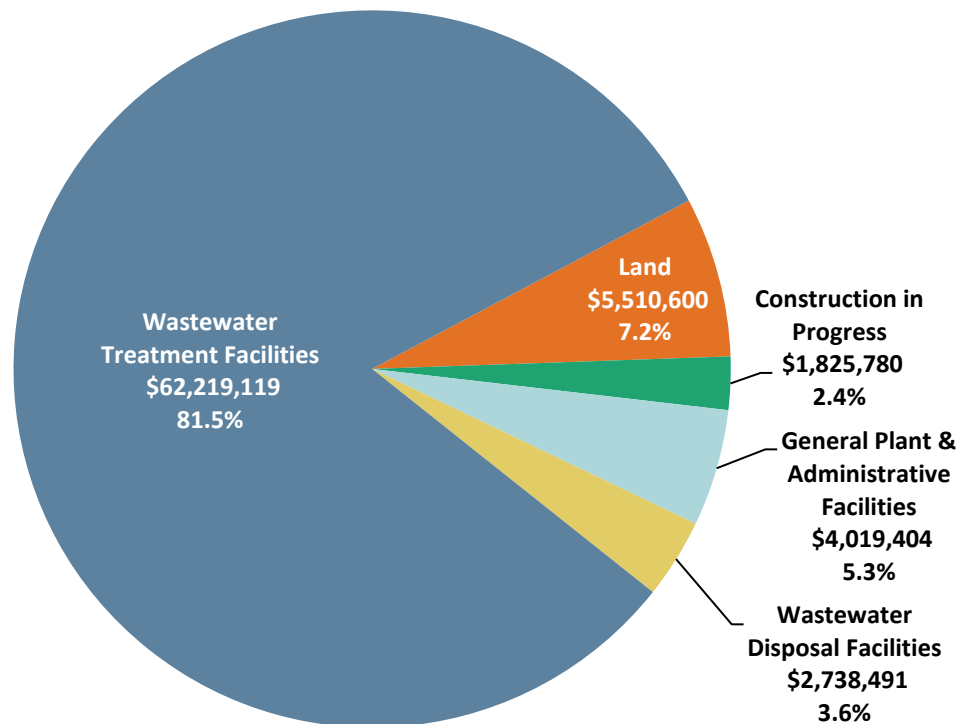
LAND
(7.2% of capital assets)
Lands owned by the Agency that buildings and treatment plant facilities occupy.

CONSTRUCTION IN PROGRESS
(2.4% of capital assets)
Assets in this category include the following projects that are underway: the new cogeneration system and the Secondary Clarifier Rehabilitation.

GENERAL PLANT & ADMINISTRATIVE FACILITIES
(5.3% of capital assets)
Assets in this category include Agency buildings and vehicles.

WASTEWATER DISPOSAL FACILITIES
(3.6% of capital assets)
Assets in this category include structures and equipment used in the discharge of treated wastewater into San Francisco Bay.

CAPITAL ASSETS AS OF JUNE 30, 2020 (NET OF DEPRECIATION)



Detailed budget and project information on the Agency's **FY20 Capital Improvement Program** can be found in the **Agency's Adopted Budget at www.cmsa.us/finance**

KEY FINANCIAL INFORMATION

FY20 BUDGET PERFORMANCE

The Agency uses the accrual method of accounting in accordance with generally accepted accounting principles to produce its financial statements and the cash basis is used to develop the annual budget.

The Agency's primary revenue source is the regional sewer service charge. The table to the right shows the adopted FY20 budget revenues and expenses compared to the FY20 audited actuals.



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. Details can be found in the FY20 CAFR available at www.cmsa.us/finance.

FY20 CONDENSED STATEMENT REVENUES & EXPENSES: BUDGET TO AUDITED ACTUALS PERFORMANCE

Revenue (Cash in)*	Adopted Budget	Audited Actuals
Sewer Service Charges	\$ 12,015,001	\$ 12,015,002
Debt Service	4,959,162	4,959,162
Contract and Other Operating Revenues	1,704,376	1,828,709
Non Operating Revenues— net of non-operating expenses ¹	429,750	(698,343)
Capital Contributions	30,872	511,165
Total Revenues-All Sources	\$ 19,139,161	\$ 18,615,695

¹Includes loss on disposal of failed engine.

Expenditures (Cash out)*	Adopted Budget	Audited Actuals*
Total Operating Expenses (net of non-cash depreciation)	\$ 12,569,900	13,696,861
Total Non-Operating & Bond Interest Expenses	1,572,329	1,386,336
Total Expenses	\$ 14,142,229	\$ 15,083,197
Total Debt Service Principal Paid FY19	\$ 2,395,000	*\$ 2,395,000

*Details available in the FY20 CAFR, Note 6-Long-Term Obligations.

AUDIT OF AGENCY'S STATEMENT BY INDEPENDENT AUDITOR

California Government Code section 53891 requires an annual audit by independent Certified Public Accountants, which is filed with the State Controller's Office. The Agency's FY20 Financial Statements were audited by the Agency's auditor, Cropper Accountancy Corporation, in accordance with Generally Accepted Auditing Standards (GAAS), and presented in accordance with Generally Accepted Accounting Principles (GAAP).

The statements also met the State Controller's Minimum Audit Requirements for California Special Districts, which CMSA follows. The Agency's Audited Financial Statements and accompanying Independent Auditor's Report were accepted by the CMSA Board in November 2020, and can be found in the Agency's

FY20 CAFR, available at www.cmsa.us/finance

CONDENSED STATEMENT OF NET POSITION

The Statement of Net Position is a useful indicator of financial position. The largest portion of CMSA's net assets reflects its investment in capital assets (land, buildings, facilities, equipment), less outstanding related debt used to acquire those assets. The Agency's Total Net Position decreased by \$(595,652) in FY20 because total expenses exceeded total revenues.

CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2020

	FY18	FY19	FY20	Percent Change FY19-FY20
ASSETS				
Current and Other Assets	\$ 17,753,712	\$ 19,607,469	\$ 20,514,559	4.6%
Capital Assets - Net	81,337,573	78,845,782	76,313,394	-3.2%
TOTAL ASSETS	\$ 99,091,285	\$ 98,453,251	\$ 96,827,953	-1.7%
DEFERRED OUTFLOWS OF RESOURCES¹	5,961,780	7,332,920	5,570,585	-24.0%
LIABILITIES				
Current Liabilities	\$ 3,780,431	\$ 3,879,363	\$ 4,523,643	16.6%
Non-Current Liabilities	58,367,168	55,467,490	53,125,486	-4.2%
TOTAL LIABILITIES	\$ 62,147,599	\$ 59,346,853	\$ 57,649,129	-2.9%
DEFERRED INFLOWS OF RESOURCES¹	2,056,973	1,790,731	1,700,000	-5.1%
NET POSITION CONTROL TOTAL	\$ 40,848,493	\$ 44,648,587	\$ 43,049,409	-3.6%
Investment in capital assets net of debt	\$ 36,596,025	\$ 36,596,279	\$ 36,620,936	0.1%
Unrestricted	5,623,608	7,048,782	6,428,473	-8.8%
TOTAL NET POSITION	\$ 42,219,633	\$ 43,645,061	\$ 43,049,409	-1.4%

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

DEFINITIONS

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

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

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

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

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

INVESTMENT IN CAPITAL ASSETS NET OF DEBT:

Amounts invested in capital assets less accumulated depreciation and any outstanding debt used to acquire the assets.

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

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

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

STATEMENT OF REVENUE & EXPENSES AND CHANGES IN NET POSITION

This statement summarizes CMSA's operating and non-operating revenues and expenses, and unlike the CAFR, presents Capital Contributions with Total Revenues. CMSA's main sources of revenue are the regional sewer service charges received from JPA members and contract revenues from providing wastewater services to San Quentin State Prison (SQSP) 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 (expenses) decreased due to losses on the catastrophic failure of a cogeneration engine that was replaced in FY20. Total expenses increased due to scheduled salary adjustments, filling vacant authorized positions, and adding three new billable positions to maintain and service wastewater equipment at SQSP.

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION AS OF JUNE 30, 2020

	FY18	FY19	FY20	Percent Change
REVENUES				FY19-FY20
Operating Revenues	\$ 17,353,966	\$ 17,901,670	\$ 18,802,873	5.0%
Non-Operating Revenues	303,728	863,486	(698,343)	-180.9%
Capital Contributions-Capacity Charges	197,753	671,769	511,165	-23.9%
TOTAL REVENUES	\$ 17,855,447	\$ 19,436,925	\$ 18,615,695	-4.2%
EXPENSES				
Operating Expenses (including depreciation)	\$ 16,351,993	\$ 16,553,636	\$ 17,825,011	7.7%
Non-Operating Expenses	1,527,361	1,457,861	1,386,336	-4.9%
TOTAL EXPENSES	\$ 17,879,354	\$ 18,011,497	\$ 19,211,347	6.7%
Net Income (Loss) before Capital Contributions	\$ (23,907)	\$ 1,425,428	\$ (595,652)	-141.8%
CHANGE IN NET POSITION	\$ (23,907)	\$ 1,425,428	\$ (595,652)	-141.8%
BEGINNING NET POSITION AS RESTATED	\$ 42,243,540	\$ 42,219,633	\$ 43,645,061	3.4%
ENDING NET POSITION	\$ 42,219,633	\$ 43,645,061	\$ 43,049,409	-1.4%

DEFINITIONS

CAPITAL CONTRIBUTIONS-CAPACITY CHARGES:

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

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

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

NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS:

The difference between total revenue less total expenses.

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

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

OPERATING REVENUE: Revenues received for wastewater-related services.

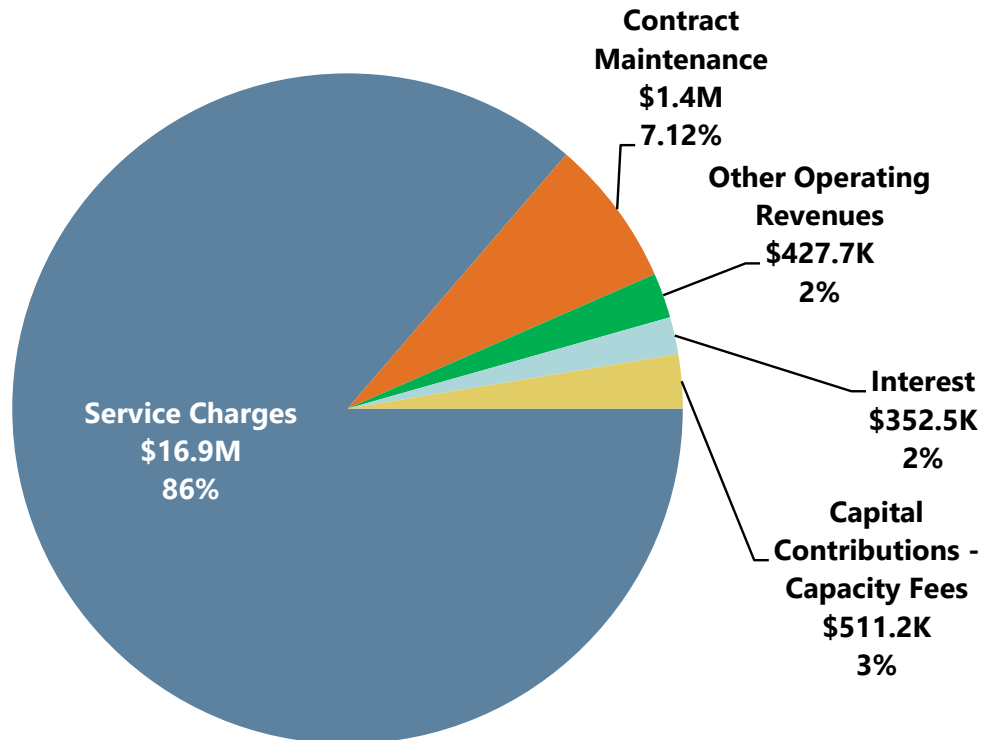
WHERE THE MONEY COMES FROM (REVENUES)

CMSA's total revenues for FY20 were \$18,615,695 including capital contributions. Operating revenues totaled \$18,802,873 and included \$4,959,162 collected for debt service.* Non-operating revenues (expenses) and interest totaled \$(698,343) which included a loss on disposed cogeneration engine.

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

California Government code requires:

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



*Debt service is a fee collected for the repayment of revenue bond principal, interest, and debt coverage. In FY20 the Agency paid \$2,395,000 in principal and incurred \$1,386,336 in interest expense.

DEFINITIONS

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

INTEREST & OTHER NON-OPERATING REVENUE:

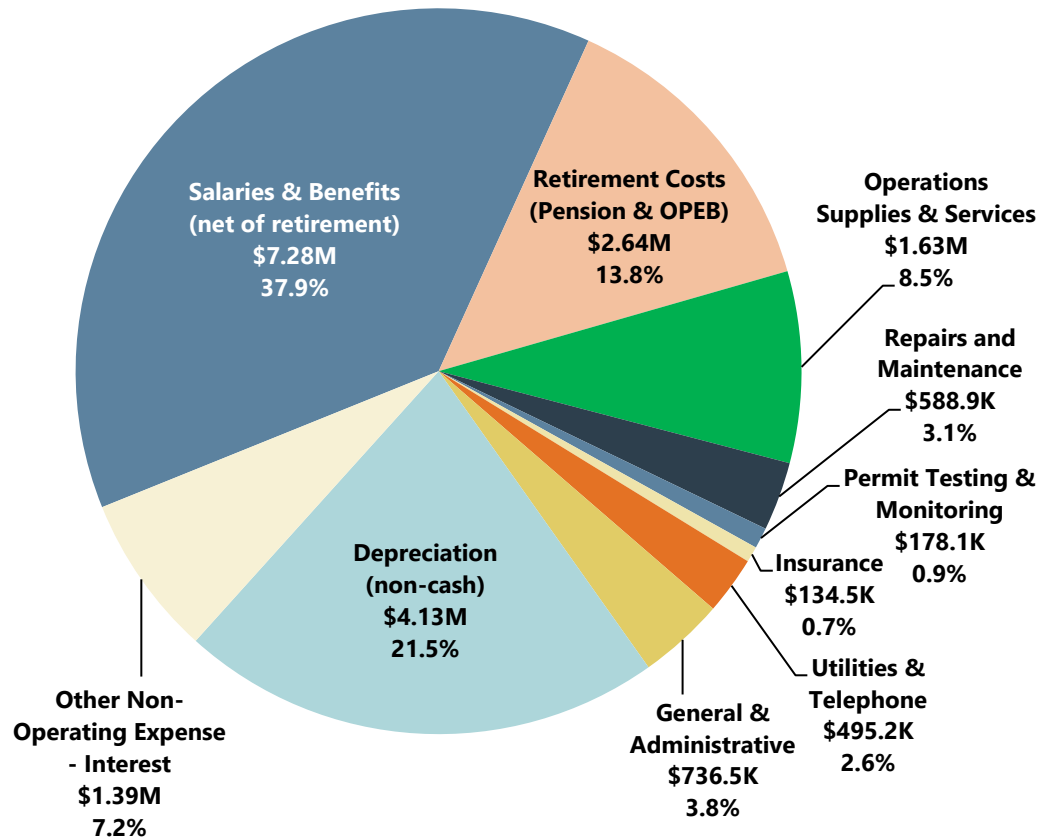
Interest revenue earned on cash and investment accounts and other sources of income, such as dividend payments, that are not derived from day-to-day operations.

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

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

WHERE THE MONEY GOES (EXPENSES)

CMSA FY20 total operating expenses were \$17,825,011, of which \$13,696,861 were actual operational expenses, \$1,386,336 were non-operating interest expenses, and \$4,128,150 was in depreciation, a non-cash expense.



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

DEFINITIONS

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

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

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

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

PERMIT TESTING & MONITORING: Laboratory fees related to wastewater sampling and monitoring services,

other regulatory compliance fees, and laboratory supplies.

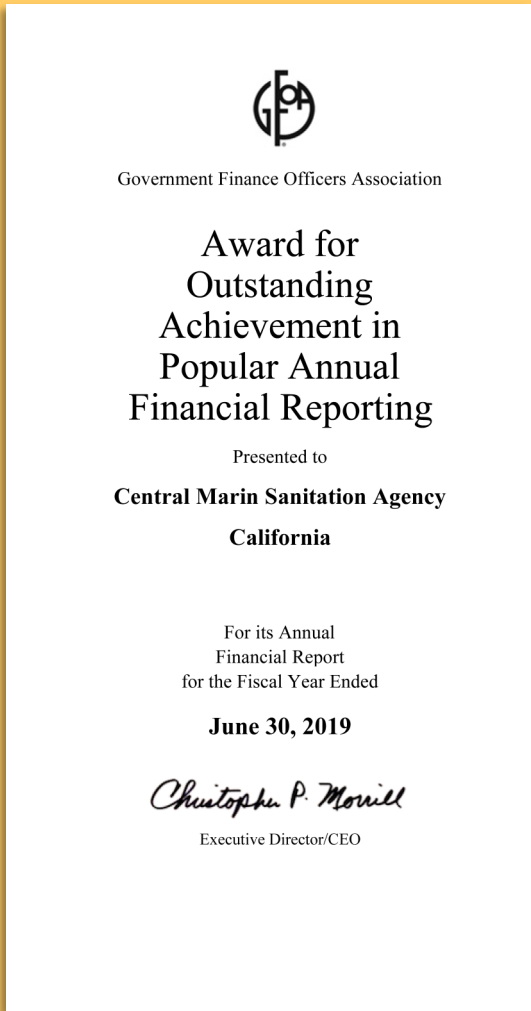
OPERATIONS SUPPLIES & SERVICES: Expenses include purchases for chemicals used in treatment, fuel, and biosolids hauling and disposal fees.

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

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

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

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



**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, 2019.

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.



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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

- Consistent and continuous regulatory compliance to protect San Francisco Bay.
- Sound financial practices to safeguard the Agency's assets.
- 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.



CALIFORNIA WATER ENVIRONMENT ASSOCIATION

2019 STATE LEVEL AWARD

**Safety Plant of the Year –
Medium (First Place)**

2019 REDWOOD EMPIRE SECTION AWARDS

AGENCY

**Treatment Plant
of the Year**

**Safety Plant
of the Year – Medium**



INDIVIDUAL

**Mechanical Technician
of the Year
Abel Villarreal**

**Pollution Prevention and
Pretreatment
Person of the Year
Eromosele Esoimeme**

**Operator-in-Training
of the Year
Thomas Hansen**