During FY 2012, CMSA received its NACWA “Platinum” Peak Performance Award for seven consecutive calendar years of obtaining one hundred percent compliance with the National Pollutant Discharge Elimination System (NPDES) permit requirements. Less than two percent of all wastewater treatment facilities nationally have achieved NACWA Platinum Award Status.

CMSA also received the Wastewater Treatment Plant of the Year Award from the California Water Environment Association (CWEA), Redwood Empire Section. The Agency will also be eligible for consideration for the state-level award which will be presented at the CWEA Annual Conference in April 2013.
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Page 13 Where the Money Goes (Expenses)

Other Agency Annual Reports: The following FY 2011-12 annual reports about other Agency initiatives can be found on the Agency’s website at www.cmsa.us.

- Green Business Report: Annual report summarizing the various recycling, disposal, product reuse, energy efficiency and other green business activities.
- Strategic Business Plan Implementation Report: Annual report summarizing the various implementation activities.

PAFR Editors: Hank Jen, Finance Manager and Heidi Lang, Financial Analyst
Central Marin Sanitation Agency (CMSA) is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year July 1, 2011 to June 30, 2012 (FY 2012). This report provides an overview of the Agency's financial position, including sources of revenues and expenditures. The PAFR is published to provide the reader with an easy to read snapshot of the CMSA organization and its finances, wastewater services, major initiatives, and public education programs.

The condensed financial data presented in the PAFR is derived from the Agency’s Generally Accepted Accounting Principles (GAAP) compliant audited financial statements and Comprehensive Annual Financial Report (CAFR). The PAFR is not considered to be a GAAP compliant publication as it only presents financial data in summary form and does not contain notes to the financial statements, however the data reported in the PAFR is consistent with GAAP. The Agency has prepared this PAFR as a generalized overview of the Agency’s overall finances. Readers of this document who are interested in learning more about the specific programmatic and financial details and disclosures can refer to the Agency’s FY 2012 CAFR with Audited Financial Statements. The CAFR is available online at www.cmsa.us, by writing or visiting the CMSA’s Finance Department at 1301 Andersen Drive, San Rafael, CA 94901, or by calling (415) 459-1455.

We hope the PAFR report will give you a broad understanding of our organization and the valuable services that we provide to the public and to safeguard the environment. Feel free to visit our comprehensive website to learn more about CMSA. We welcome your comments, feedback and suggestions for improving future publications.

Respectfully submitted,

Jason Dow
General Manager

Hank Jen
Finance Manager

Our Purpose: CMSA shall provide wastewater treatment, disposal, and related environmental services to protect public health and enhance environmental quality within its service area comprised of Sanitary District 1 of Marin County, Sanitary District Number 2 of Marin County, and the San Rafael Sanitation District.
Faced with wastewater treatment challenges unique to Central Marin County and the necessity to comply with the Federal Clean Water Act, Sanitary Districts No. 1 (SD 1) and No. 2 (SD 2) of Marin County, the City of Larkspur, and the San Rafael Sanitation District (SRSD) united in 1979 to form a joint powers of authority (JPA) that created a separate government entity, the Central Marin Sanitation Agency (CMSA). The CMSA wastewater treatment facility, the largest in Marin County, became operational in January 1985.

The Agency’s governing body is a six-member Board of Commissioners (Board) appointed by the JPA members. SRSD and SD 1 each have two representatives while Larkspur and SD 2 each have one. The Board sets policy and adopts the annual budget for the Agency 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.
What CMSA Does

CMSA is a regional wastewater treatment agency that serves residents, businesses and institutions, including San Quentin State Prison, 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.

The Agency provides services to 50,525 equivalent dwelling units (EDUs) with an approximate population of 120,000.

**What are EDUs?**
Equivalent Dwelling Units, or EDU, refers to a unit of wastewater discharge. It is the estimated volume and strength generated by a single-family residence.

50,525 Equivalent Dwelling Units (EDU) Served in FY 2012

![Pie chart showing the breakdown of EDUs by connection type.]

**Wastewater and Biosolids Treated in FY 2012**
- Volume of Total Wastewater Treated: 3.9 billion gallons
- Dry Weather Flow (July-Sept 2012): 6.1 million gallons/day
- Average Wastewater Treated: 8.0 million gallons/day
- Total Biosolids Production: 6,344 wet tons
- Used as landfill cover in Marin County: 4,057 wet tons
- Applied to pasture land in Sonoma County: 2,287 wet tons

The purpose of CMSA is to provide wastewater services to protect the public health and the environment. The treated wastewater discharged into the central San Francisco Bay as clean effluent consistently meets and exceeds all Federal and State regulatory requirements. Consistent with its core mission are responsibilities related to:
- Implementing federal pretreatment and state and regional pollution prevention programs.
- Administering a comprehensive safety program for several wastewater agencies in the county.
- Managing a comprehensive countywide public education program.
- Providing collection system maintenance, source control, and other services under contract to local wastewater agencies.
Marin County continues to grow slowly with the population increasing less than 1% a year and its residents continue to have the highest average household per capita income in California. The median sale price for a home in Marin is $715,000.

The total number of households and businesses in the CMSA service area has remained relatively stable over the last few years and consists primarily of residential units. CMSA’s single largest customer is San Quentin State Prison.

Eight of the top ten employers in the CMSA service area are governmental entities.

Ten Largest Employers and Number of Employees in CMSA Service Area

<table>
<thead>
<tr>
<th>Employer</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Quentin State Prison</td>
<td>2,058</td>
</tr>
<tr>
<td>Marin General Hospital</td>
<td>1,505</td>
</tr>
<tr>
<td>Golden Gate Transit</td>
<td>838</td>
</tr>
<tr>
<td>Dominican University</td>
<td>745</td>
</tr>
<tr>
<td>College of Marin</td>
<td>650</td>
</tr>
<tr>
<td>City of San Rafael</td>
<td>387</td>
</tr>
<tr>
<td>San Rafael City Schools</td>
<td>355</td>
</tr>
<tr>
<td>Tamalpais Union High School District</td>
<td>353</td>
</tr>
<tr>
<td>Kentfield Rehabilitation &amp; Specialty Hospital</td>
<td>344</td>
</tr>
<tr>
<td>Marin Municipal Water District</td>
<td>238</td>
</tr>
</tbody>
</table>

Marin County’s average unemployment rate of 6.9% remains the lowest unemployment rate in California (11.2%) and is below the national level (8.2%).

Sources: Bureau of Economic Analysis, CA Dept. of Finance Demographic Research Census 2010 and Population Factors and US Census Bureau.
**Major Accomplishments and Initiatives in FY 2012**

**California Water Environment Association (CWEA) Awards**
The Agency was recognized by its industry peers for CWEA Redwood Empire Section Awards for the following achievements listed below. The Agency will also be eligible for consideration for state-level awards in the same categories which will be presented at the CWEA Annual Conference in April 2013.

- Wastewater Treatment Plant of the Year (2-50 million gallons per day)
- Safety Program of the Year
- Public Education Program of the Year—Large Budget
- Engineering Achievement of the Year for the Aeration Blower Replacement Project

_CWEA Staff Awards:_ Several CMSA staff members were recognized by their industry peers for CWEA Redwood Empire Section Awards in their respective disciplines:

- Antonio Barros for Collection System Person of the Year
- Jeff Boheim for Electrical/Instrumentation Person of the Year
- David Ernst for Operator of the Year
- Nicholas Gaunt for the Murray McKinnie Award for Outstanding Operator-in-Training of the Year
- Kevin Lewis for Mechanical Technician of the Year
- Gretchen Muller for Public Education Person of the Year

**National Pollutant Discharge Elimination System (NPDES) Permit Renewal**
The Federal Clean Water Act established the NPDES Permit Program to control water pollution by regulating wastewater treatment plants that discharge effluent into waters of the United States. Since its introduction in 1972, the NPDES Program has been responsible for significant improvements to the nation’s and state’s water quality.

CMSA has received an NPDES operating permit since the Agency began operation in 1985. The Agency’s current five-year permit which was issued in April 2007 was set to expire on March 31, 2012. As part of the permit renewal process, CMSA was required to prepare and submit a Report of Waste Discharge, along with numerous other technical reports and studies to the Regional Water Board (RWB) six-months prior to the permit expiration. The new five-year permit for CMSA, adopted in June 2012 and effective on August 1, 2012, contains new effluent limits for ammonia and enterococcus, and increases the testing frequency for chronic toxicity.

In preparation for the new permit, the Agency’s laboratory has received state certification to perform the enterococcus analysis and a regulatory compliance plan has been developed to meet the special reporting requirements contained in the new permit.
Major Accomplishments and Initiatives in FY 2012

Regional Charge Alternatives Study
The CMSA JPA establishes the Regional Charge which provides over 90% of the Agency’s revenue for its annual operating budget and Capital Improvement Program. The Regional Charge is set by the CMSA Board of Commissioners and paid by the JPA member agencies to CMSA. The allocation of the Regional Charge to the JPA member agencies can be based on volume, or volume and quality of wastewater received from each JPA agency, or each jurisdiction’s EDU counts. The Agency has historically charged each JPA member by their reported EDU counts.

During the development of the FY 2012 Agency Budget, the Board discussed potentially using other methodologies for allocating the Regional Charge as allowed by the JPA. The CMSA Board subsequently authorized a study to evaluate the benefits and disadvantages of each methodology, and directed its Finance Committee to work with staff to develop policies and procedures that would allow the Board to allocate Regional Charges to the member agencies based on volume, or volume and quality, in addition to the existing policy of using EDU counts. In April 2012, the Board adopted revisions to its Revenue Management Policy with the new allocation methods and procedures. While the FY 2013 Budget was prepared and presented for adoption with a Regional Charge allocation using EDU count, the Board adopted the FY 2013 Budget and directed the allocation of Regional Charges to the JPA member agencies based on volume of wastewater flow to CMSA.

New Wastewater Service Agreements for CMSA-Provided Services
CMSA has long provided wastewater related services to several local agencies in Marin County which include operating, maintaining, and monitoring pump stations, maintaining sewer collection systems, and regulating commercial and industrial businesses that discharge to the sewer system to protect it and the environment. These contractual arrangements benefit the contracting local agencies because it is a cost-effective approach for them to utilize CMSA staff expertise and resources in-lieu of hiring contractors or consultants. CMSA also benefits from these contractual arrangements when it has the capacity to provide the services as the additional revenue received from these contact sources incrementally lowers wastewater service charges to the Agency’s customers. During FY 2012, three local agencies approached CMSA expressing interest in developing a business relationship whereby CMSA would provide selected services:

- **San Quentin State Prison Wastewater Services:** $1.2M contract with the State of California to operate and maintain the Prison’s main pump station, transport wastewater to the treatment plant, and provide wastewater treatment services.

- **Collection System Maintenance for San Quentin Village:** $25,000 contract with the County of Marin to operate, maintain, and monitor a small sewer collection system for San Quentin Village, a residential development outside the east gate of San Quentin State Prison.

- **Source Control for Novato Sanitary District:** In late 2011, CMSA prepared a proposal to develop and administer a Fats, Oils and Grease Control Program and a Mercury Reduction Program for the District. CMSA anticipates that the District will reach a decision on the Agency’s service proposals during FY 2013.

Pictured above is the San Quentin State Prison. San Quentin Village (not pictured) is adjacent to the Prison on the upper left side of photo.
CMSA is a California Special District 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. During FY 2012, the Agency conducted a comprehensive review of all existing policies, and in July 2012 the Board adopted revisions effective FY 2013 which reflect changes in regulations and legal requirements. The Agency also strengthened its Ethics Policy and added a new policy to provide direction when contract service requests are received from local agencies.

**FY 2012 Budget Performance**

The Agency uses the accrual method of accounting in accordance with generally accepted accounting principles to produce its financial statements, while the cash basis is used to develop the annual budget. The foundation of the annual budget is the sewer service charge. The Board sets an annual sewer service charge that covers the cost of providing wastewater services to households, businesses and institutions in the service area. The adopted charges for FY 2012 consisted of a sewer service rate of $169.74 and a debt service rate of $106.08 per EDU. All of CMSA's operating and capital activities, including a 10-year capital plan and financial forecast model, are included in the annual Adopted Budget.

After the Agency’s FY 2012 Budget was adopted, Sanitary District No. 1 significantly decreased its EDU count which resulted in an unprecedented budget shortfall in sewer service revenues for CMSA. Nevertheless, CMSA was able to end FY 2012 with an operating budget surplus in the budgetary context of measuring performance by funding source.

This table illustrates how the Agency uses the adopted budget to monitor and compare actual financial performance. Generally Accepted Accounting Principles (GAAP) and auditing standards do not require the adopted budget to be included in the audited financial statements.

<table>
<thead>
<tr>
<th>Revenues (Cash in)</th>
<th>Adopted Budget</th>
<th>Audited Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Service Charges</td>
<td>$ 9,312,615</td>
<td>$ 8,576,114</td>
</tr>
<tr>
<td>Debt Service</td>
<td>5,819,892</td>
<td>5,819,892</td>
</tr>
<tr>
<td>Contract and Other Operating Revenues</td>
<td>707,447</td>
<td>685,374</td>
</tr>
<tr>
<td>Non Operating Revenues *</td>
<td>—</td>
<td>178,853</td>
</tr>
<tr>
<td>Capital Contributions *</td>
<td></td>
<td>93,919</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$15,839,954</strong></td>
<td><strong>$15,354,151</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures (Cash out)</th>
<th>Adopted Budget</th>
<th>Audited Actuals*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses (net of non-cash depreciation)</td>
<td>$ 9,426,423</td>
<td>$9,425,636</td>
</tr>
<tr>
<td>Total Non-Operating: Debt Service Principal</td>
<td>1,880,000</td>
<td>1,880,000</td>
</tr>
<tr>
<td>Total Non-Operating &amp; Bond Interest Expenses</td>
<td>2,775,914</td>
<td>2,793,429</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$14,082,337</strong></td>
<td><strong>$14,099,065</strong></td>
</tr>
</tbody>
</table>

* The Agency does not budget for non-operating revenues. Audited actual Expenditures represents all funding sources, including proceeds from Revenue Bonds.

**Audit of Agency’s Financial Statement by Independent Auditor**

State statute requires an annual audit by independent Certified Public Accountants which is filed with the State Controller’s Office. The Agency’s FY 2012 Financial Statements were audited by the Agency’s new auditor, Chavan & Associates, San Jose, CA, in accordance with GAAP auditing standards, and the statements met the State Controller’s Minimum Audit Requirements for California Special Districts. The Agency’s Audited Financial Statements and accompanying Independent Auditor’s Report can be found in the Agency’s FY 2012 Comprehensive Annual Financial Report, available at www.cmsa.us/finance.
The Statement of Net Assets is a useful indicator of financial position. The largest portion of CMSA’s net assets reflects its investment in capital assets (land, buildings, machinery, equipment, vehicles) less outstanding related debt used to acquire those assets. The Agency increased its Net Assets by $728,556 in FY 2012 as a result of an increase in plant and facilities assets placed into service at the end of FY 2011 and the reclassification of FY 2006-2011 salaries charged to the Wet Weather Improvement Project to capital assets.

**CONDENSED STATEMENT OF NET ASSETS as of June 30, 2012**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2011</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>$14,439,267</td>
<td>$13,100,996</td>
<td>10.2%</td>
</tr>
<tr>
<td>Current and Non-Current Assets</td>
<td>895,611</td>
<td>997,227</td>
<td>-10.2%</td>
</tr>
<tr>
<td>Restricted Cash (Revenue Bond Proceeds)</td>
<td>11,017,281</td>
<td>16,642,510</td>
<td>-33.8%</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>90,520,966</td>
<td>87,230,826</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$116,873,125</td>
<td>$117,971,559</td>
<td>-0.9%</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$2,183,800</td>
<td>$1,904,436</td>
<td>14.7%</td>
</tr>
<tr>
<td>Current Portion Long-Term Obligations</td>
<td>2,468,419</td>
<td>2,362,665</td>
<td>4.5%</td>
</tr>
<tr>
<td>Non-Current Obligations Net of Current Portion</td>
<td>60,553,988</td>
<td>62,766,096</td>
<td>-3.5%</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$65,206,207</td>
<td>$67,033,197</td>
<td>-2.7%</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>$39,015,640</td>
<td>$39,424,680</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>12,651,278</td>
<td>11,513,682</td>
<td>9.9%</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$51,666,918</td>
<td>$50,938,362</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

**DEFINITIONS**

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

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

**RESTRICTED CASH:** Cash and investments set aside for a specific purpose.

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

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

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

**UNRESTRICTED ASSETS:** Cash and investments available to use for operations and not tied to a specific obligation.

**TOTAL NET ASSETS:** Equity associated with general government assets and liabilities.
As of June 30, 2012, CMSA’s total capital assets balance net of depreciation (a non-cash expense that reduces the value of capital assets) was $90,520,966. This amount is broken down in asset categories shown in the bar chart below. Of the $5.8 million dollars spent on capital assets during FY 2012, $5.3 million was capitalized (reported on the Condensed Statement of Net Assets) and $387,000 was expensed (reported on the Statement of Revenues and Expenses).

**Wastewater Treatment Facilities**
$70,840,045 78% of capital assets
Assets in this category include structures and equipment used in the treatment of wastewater.

**Wastewater Disposal Facilities**
$5,332,521 6% of capital assets
Assets in this category include structures and equipment used in the discharge of treated wastewater into San Francisco Bay.

**Construction in Progress**
$6,285,092 7% of capital assets
Assets in this category include the following projects that are currently underway: Digester Improvements, Fats, Oils and Grease & Food-to-Energy receiving facility, and Aeration Blower Replacement. Refer to Page 10 for a description of these projects.

**Land**
$4,857,321 5% of capital assets
Lands owned by the Agency and land on which buildings and treatment plant facilities occupy.

**General Plant & Administrative Facilities**
$3,205,987 3.5% of capital assets
Assets in this category include Agency Buildings, Laboratory and vehicles.
The Agency continued construction on several large multi-year capital projects during FY 2012 which are summarized below. Detailed budget and project information on the Agency’s FY 2012 and FY 2013 Capital Improvement Program can be found in the Agency’s Adopted Budget for each respective fiscal year at www.cmsa.us/finance/budget.

**Digester Improvements, Fats, Oils and Grease (FOG) Receiving Facility and Food-to-Energy:** This is a multi-year, $7.54 million construction project which began in May 2011. The project’s scope includes the replacement of digester equipment that has reached the end of its 25 year service life cycle and the construction of a new facility that will receive and process FOG and commercial food waste. The Agency is partnering with the local solid waste hauler, Marin Sanitary Service, on a central Marin County commercial food-to-energy program. This partnership has many benefits for the environment including diversion of food waste from the local landfill saving landfill volume, and the reduction of greenhouse gas emissions from the landfill into the atmosphere. The Agency plans to begin accepting food waste and FOG in mid-2013 and construction is expected to be completed by FY 2014.

*Pictured right is one of the two digesters with a new membrane cover*

CMSA currently produces enough biogas to satisfy around half of the Agency’s energy needs. The additional biogas produced from the FOG and food waste will offset the purchase of natural gas fuel and electricity from outside sources for use in the cogeneration engine thus enabling the Agency to achieve its long term goal of attaining full energy self-sufficiency.

**Aeration Blower Replacement Project:** The Agency’s secondary treatment processes utilizes aeration tanks to remove suspended organic material and reduce biochemical oxygen demand (BOD) in the wastewater. Oxygen for these tanks is supplied by compressed air from four blowers. Blower technology has advanced significantly since 1985 when the plant started operations. The budget for this project is $704,000 which includes design, engineering services, construction, and equipment. Construction work on the project began at the end of FY 2011 and is scheduled to be completed in early FY 2013.

*Pictured left is the new Aeration blower next to original blower (shown right to left)*

**Reclaimed Water System Improvements:** The reclaimed water system provides 4 million gallons of treated wastewater per day for process-related uses and for onsite landscape irrigation. The budget for this project is $437,500 which includes project design and construction, new water pumps with strainers, controls, and pressurized storage tanks. The Agency purchased the new equipment at the end of FY 2012 and construction activities will occur during FY 2013.
This statement summarizes CMSA’s operating and non-operating revenues and expenses. CMSA’s main source of revenue is the annual service charge received from JPA members based on a combined rate of $275.82 per EDU (Service Charges $169.74 and Debt Service $106.08). Service charges pay for operating expenses, capital improvements and debt service.

### CONDENSED STATEMENT OF REVENUES, EXPENSES, & NET ASSETS as of June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2011</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>$15,081,377</td>
<td>$15,416,348</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Non-Operating Revenues</td>
<td>161,338</td>
<td>121,108</td>
<td>33.2%</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$15,242,715</td>
<td>$15,537,456</td>
<td>-1.9%</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$13,059,540</td>
<td>$13,064,390</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Operating Expenses</td>
<td>2,703,231</td>
<td>2,786,041</td>
<td>-3.0%</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$15,762,771</td>
<td>$15,850,431</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Net Income (Loss) before Capital Contributions</td>
<td>$(520,056)</td>
<td>$(312,975)</td>
<td>66.2%</td>
</tr>
<tr>
<td>Capital Contributions—Capacity Charges</td>
<td>93,919</td>
<td>74,149</td>
<td>26.7%</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>$(426,137)</td>
<td>$(238,826)</td>
<td>78.4%</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS - BEGINNING (July 1, 2011)</strong></td>
<td>$50,938,362</td>
<td>$51,177,188</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Prior Period Adjustment</td>
<td>1,154,693</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS - ENDING (June 30, 2012)</strong></td>
<td>$51,666,918</td>
<td>$50,938,362</td>
<td>-1.4%</td>
</tr>
</tbody>
</table>

### DEFINITIONS

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

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

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

**NET INCOME (LOSS):** The difference between total revenue less total expenses.

**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 ASSETS:** The total of net income (loss) plus capital contributions – capacity charges.

**PRIOR PERIOD ADJUSTMENT:** Reclassification of FY 2006-2011 salary expenses associated with the Agency’s treatment plan expansion projects to Capital Assets.
CMSA received $15,242,715 in total revenues and an additional $93,919 in capital contributions during FY 2012. Operating revenues totaled $15,081,377 and included $5,819,892 collected for debt service.

**REVENUES (Where the operating and non-operating money comes from...)**

- **Service Charges**: $14,396,006 94%
- **Other Operating Revenues**: $296,377 2%
- **Contract Maintenance**: $388,994 2%
- **Other Non-Operating Revenues**: $113,436 1%
- **Non-Operating Revenues: Interest & Investment Income**: $65,417 0.4%
- **Non-Operating Revenues: Capital Contributions - Capacity Charges**: $93,919 1%

**DEFINITIONS**

**SERVICE CHARGES**: A fee for wastewater service and debt service.

**DEBT SERVICE CHARGES**: A fee for repayment of revenue bond principal, interest, and debt coverage. In FY 2012 the Agency paid $1,880,000 in principal and incurred $2,703,231 in interest expenses. The Agency makes semi-annual debt service payments to the holders of the Agency’s Revenue Bonds.

**CONTRACT MAINTENANCE**: Revenues received from other sanitary agencies or government entities for contractual services provided by CMSA.

**OTHER NON-OPERATING REVENUES**: Revenues that are incidental to CMSA’s main purpose and derived from activities not related to wastewater operations: interest earnings on bond proceeds and costs of borrowing.

**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.
CMSA FY 2012 operating expenses totaled $13,059,540 and non-operating expenses totaled $2,720,746. CMSA spent $9,425,636 on operational expenses and recorded $3,633,904 depreciation, a non-cash expense. Excluded from this pie chart are expenditures for capital and asset management projects which have been capitalized and shown as capital assets on the Statement of Net Assets.

DEFINITIONS

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 Series 2006 Revenue Bond.

PERMIT & MONITORING TESTING Includes outside laboratory fees related to wastewater sampling and monitoring services, other regulatory compliance fees, and 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.
The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Reporting to Central Marin Sanitation Agency, California for its Popular Annual Financial Report for the fiscal year ended June 30, 2011. 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. The Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for one year. The published report must conform to the program standards of creativity, presentation, understandability and reader appeal.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Central Marin Sanitation Agency
California

for the Fiscal Year Ended
June 30, 2011

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