SACRAMENTO METROPOLITAN

AIR QUALITY
MANAGEMENT DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

Prepared by the Administrative Services Division
Jamille Moens, Division Manager

SACRAMENTO, CALIFORNIA

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INTRODUCTORY SECTION

SACRAMENTO METROPOLITAN
AIR QUALITY
MANAGEMENT DISTRICT

Alberto Ayala, Ph.D., M.S.E.
EXECUTIVE DIRECTOR/AIR POLLUTION CONTROL OFFICER

LETTER OF TRANSMITTAL

October 16, 2018

Chairman, Governing Board and Residents
of the Sacramento Metropolitan Air Quality Management District

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Sacramento Metropolitan Air Quality Management District (District) for the year ended June 30, 2018, which includes the independent auditor’s report. The CAFR is submitted in compliance with state law which requires local governments to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The District assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive internal control framework that was established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The District asserts to the best of its knowledge and belief, that this financial report is complete and reliable in all material respects.

The District’s financial statements have been audited by James Marta & Company LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018 are free of material misstatement. The independent auditors concluded, based upon the audit, there was a reasonable basis for rendering an unmodified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is located at the front of the financial section of this report.

The District’s independent financial statement audit was part of a broader, federally mandated “Single Audit” designed to meet the Federal grantor agencies special needs. The standards governing Single Audit engagements require the independent auditor to report not only on the financial statements fair presentation, but also on the audited government’s internal controls and compliance with legal requirements including special emphasis on Federal award compliance. The information required by the Single Audit that is outside the scope of the financial statements is available in a separately issued report on the District’s website.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

Profile of the Sacramento Metropolitan Air Quality Management District

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. The District's Governing Board is composed of 14 members, including all five Sacramento County Supervisors, four members of the Sacramento City Council, one member each from the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and one member representing the cities of Galt and Isleton. The Board appoints the agency's Air Pollution Control Officer and District Counsel.

The District is one of 35 local or regional air quality districts in California. It is responsible for monitoring air pollution within the Sacramento region and for developing and administering programs to reduce air pollution levels to meet the health-based standards established by the state and federal governments. The District has been designated by the Environmental Protection Agency (EPA) as part of the Sacramento Federal Ozone Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County and the western slopes of El Dorado and Placer Counties up to the Sierra crest and includes four other local air districts. Roughly 63% of the SFNA's population falls within the District's boundaries.

Population in Sacramento Federal Ozone Nonattainment Area

COUNTY	POPULATION			
	SFNA portion of the County	County[1]	SFNA / County	County in SFNA / Total SFNA
El Dorado	152,513	183,750	83%	7%
Placer	362,582	373,796	97%	15%
Sacramento	1,495,297	1,495,297	100%	63%
Solano	133,764	431,498	31%	6%
Sutter	3,503	97,308	3.6%	<1%
Yolo	214,555	214,555	100%	9%
Total	**2,362,214**	**2,796,204**	**---**	**100%**

[1] 1/1/2016 estimate from California Department of Finance Demographic Research Unit

Air quality in the SFNA is currently designated non-attainment for ozone and $PM_{2.5}$ as well as the more stringent California standards for ozone and particulate matter (PM_{10} and $PM_{2.5}$). A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance smog formation and effectively trap pollutants in the Basin. The District has approved a regional ozone State Implementation Plan for the 2008 ozone standard projecting attainment by 2024. The Plan was submitted to Federal EPA in 2018 and is in the approval process.

A significant portion of the Sacramento region emissions inventory is mobile sources. Mobile sources include motor vehicles, airplanes, locomotives, and other engines and portable equipment. It also includes "off-road" sources, such as construction, mining, and agricultural equipment. Currently, these mobile sources contribute about 44% of our Volatile Organic Compounds (VOC) and 88% of our Oxides of Nitrogen (NO_x) emissions, while stationary (industrial) sources contribute about 24% of our VOC emissions and 10% of our NO_x emissions. State and federal regulations will help to reduce the impact of motor vehicle fuel and engine emissions on our air quality in the future, but as growth in our region brings more vehicles in, mobile sources will continue to be a major factor in our air quality problem.

The District provides a broad range of services to accomplish its mission of meeting state and federal clean air and climate goals. From rule development and enforcement to land use planning and disbursement of millions in incentives funds, the annual budget serves as the foundation for the District's financial planning and control for its activities. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. The budget is organized by fund and division and is adopted on a budgetary basis that includes encumbrances and expenditures. All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board.

The District maintains budgetary controls through both signature authority and automated budget verification. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board. As reflected in the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Factors Affecting Financial Condition

The District's General Fund receives revenue from a variety of sources. Approximately 41% of its funding is derived from fees paid by stationary sources that emit air pollution; 26% from auto registration fees collected by the Department of Motor Vehicles (DMV) and distributed to air districts throughout the state in support of motor vehicle emission reduction programs; 17% from federal, local government and state subventions; and 7% from sales tax and other earnings. The General Fund does not receive property tax support.

To meet its program commitments, despite increased workload complexity, the District has successfully streamlined many of its operations, reducing the cost of its programs. While the District recovers a large portion of its activity costs from fees, and uses state subvention, federal grants, and other revenues mentioned above, in accordance with their guidelines, to fund the remaining costs of District programs, these sources of revenues are insufficient to cover ongoing expenditures. The imbalance is due primarily to employee services expenses outpacing major funding sources like DMV, which has remained fairly flat as there is no inflation escalator, requirements to upgrade aging air monitoring infrastructure, and implementation costs of grant programs not being fully covered.

To address the issue, the District implemented a temporary hiring freeze, reduced capital expenditures, and "right-sized" funding for professional services and collaborations. The fiscal year 17-18 savings from these actions was significant with the District's actual expenditures $3.2 million less than budgeted.

Staff will continue to seek and implement cost savings measures while working closely with the Board of Directors to identify funding strategies to restore stationary and air monitoring programs as well as to implement Cap and Trade investments in the capital region, advancing the District's clean air efforts, supporting continued low-carbon development and GHG reductions, particularly in the transportation sector, and promoting adaptation related activities.

Major Initiatives

The District's priorities continue to be attainment and maintenance of the federal health-based ambient air quality standards, improvement of core programs such as permitting and enforcement, and tracking state and federal programs and legislation in order to engage effectively on matters affecting the District. New legislation recently signed into state law will lead to a fundamental shift in the way we do business for air quality, placing a renewed emphasis on community-level air monitoring and protection of those disproportionally impacted by pollution through targeted incentives for cleaner technologies. Lastly, strengthening key partnerships that assist the District in achieving its mission is an important priority.

Ambient Air Quality Attainment Goals

To fulfill the District's strategic goal for protecting public health, it will continue to prioritize work toward attainment of the ambient air quality standards. Since mid-2012, EPA has recognized that the Sacramento region has met two federal air quality standards: the 1979 federal 1-hour ozone standard (in October 2012) and the 24-hour PM2.5 (in December 2015). Most recently, Sacramento and its four partner District's in the SFNA adopted the Sacramento Regional 2008 8-hour Ozone Attainment and Reasonable Further Progress Plan. This Plan was approved by the California Air Resources Board (CARB) and submitted to EPA on December 18, 2017.

In addition, the District adopted the 1979 1-Hour Redesignation Substitution Request for the 1979 1-hour ozone standard, which shows the region has met this standard. This request was submitted to CARB to be forwarded to EPA. Effective June 9, 2017, EPA found that the Sacramento PM2.5 Nonattainment Area attained the 2006 24-hour PM2.5 National Ambient Air Quality Standard (NAAQS) by the attainment date of December 31, 2015 (82 FR 21711) as referenced above.

Climate Change

Since 2006, the District has been engaging the Sacramento Region to respond to climate change through innovative strategies that improve quality of life while building resilience to current and future climate change impacts. The District is leading the regional deployment of climate solutions in the form of low-carbon transportation technology investments and other actions aimed at advancing effective local strategies for reducing air and climate pollution and promoting innovation, transformation, and a healthier environment. A number of projects are "on the ground." For example, the District's innovative electric vehicle car share, woodstove replacement, and home energy conservation programs have helped low-income communities increase access to zero-carbon mobility, improve indoor air quality and comfort, and save money.

Through diverse partnerships as well as its commenting authority, the District will continue its work to increase electric vehicle deployment, climate action planning, and other low-carbon solutions such as EV car share, bike share, bike paths and urban forestry. In addition, the District will continue its role as a leading member of the multi-jurisdictional, cross-sector Capital

Region Climate Readiness Collaborative, which helps the greater Sacramento region build resilience to extreme heat, drought, flooding, and other climate risks.

Federal and State Programs

The District is actively engaged in the California Air Pollution Control Officers Association (CAPCOA), which is a critical state association for air pollution industry matters. In addition, the District is involved with the National Association of Clean Air Agencies (NACAA), which serves as a key agency for District work with EPA and other agencies at the national level, and for representing local air district issues in Washington DC. Participation in these and other agencies allows the District to closely track, monitor and weigh-in on important programs and legislative matters affecting the District and its mission.

AB 617 Community Air Protection Program

In response to the recent passage of Assembly Bill 617 (C. Garcia, Chapter 136, Statutes of 2017), CARB established the Community Air Protection Program with the primary focus to reduce exposure in communities most impacted by air pollution. The District is working closely with CARB staff, community groups, community members, environmental organizations, and regulated industries to develop a new community-focused action framework for community protection.

Capital Improvements

A core function of the District is air monitoring. Thus, the District must replace aging infrastructure (stations and instruments) in its ambient air monitoring network and keep up with evolving science and trends such as the emergence of new low-cost sensors for saturation monitoring at the hyper-local level. The capital improvement initiative will be ongoing over the next several years.

Partnerships

The District has numerous partnerships, including state and federal agencies, local and regional community organizations, business associations and environmental justice groups that assist the District in achieving its mission. The District continues to leverage these partnerships as a key method in meeting regional air quality goals as many of the reduction strategies are in areas outside of traditional stationary source regulation.

Long-term Financial Planning

Management annually develops and reviews a five-year financial projection that evaluates potential internal, external and programmatic elements that could affect revenues and expenditures over the next fiscal year and beyond. A few notable elements are discussed in this section.

As of August 2018, the unemployment rate in Sacramento County is 3.9%, down from nearly 13% during 2010-2012 and 5.4% last year at this time. Consequently, as business activity and employment increases, revenues from permits and fees are expected to increase slightly over the next few years. The District Board also approved a consumer price index (CPI) increase to a majority of District fees for fiscal year 2018-19 and, in future years with Board approval, permit fees may be adjusted for CPI to help keep pace with rising costs.

The Sacramento Transportation Authority anticipates sales tax revenues from Measure A to increase 5% annually in upcoming years. Additionally, DMV (AB923) and Moyer funding would have sunset in 2015, however, with the passage of Assembly Bill 8 these funding sources were reauthorized until 2024.

In the past few legislative sessions, a significant amount of revenue was directed to CARB for new and existing mobile source emission reduction programs and to address the disproportionate impacts of air pollution in environmental justice communities. One measure, AB 617, requires local air districts to take specific actions to reduce air pollution and toxic air contaminants from commercial and industrial sources; the District is currently implementing this program and it is expected to continue into the future. District staff is also receiving additional grants for historic Heavy-Duty incentive programs administered by the District, with a modest amount, generally 5%, allowed to fund program implementation expenses.

Discussions are also underway with the Department of Water Resources (DWR) regarding the potential to receive funding to administer emission reduction projects on behalf of DWR to mitigate air quality impacts in the SFNA from the California WaterFix Project. This project would continue for several years and is anticipated to exceed $100 million.

Federal funding for EPA 105 and EPA 103 grants for ambient air monitoring is expected to remain consistent through fiscal year 2019. It is important to continue partnering with the Sacramento Area Council of Governments to ensure that the Sacramento Emergency Clean Air and Transportation program and the Spare The Air program are included in the Metropolitan Transportation Improvement Plan so that the Congestion Mitigation and Air Quality (CMAQ) funding for both programs is not interrupted.

Expenditures for the General Fund are expected to gradually increase to address 1) major capital improvements, most notably, non-recurring expenditures to rehabilitate and replace several aging air monitoring stations and improve the District’s technology resources, 2) rising labor costs as they are adjusted for CPI, 3) gaps in implementation funding for important Cap & Trade and other grant programs, and 4) long-term pension liabilities. District staff will work closely with the Board of Directors to identify funding strategies to ensure sufficient revenue is generated to meet these expenditures.

The Covell Building Fund is expected to be fairly stable over the next five years. As the primary asset in the Fund, the District’s headquarters building is relatively new, therefore annual maintenance is anticipated to be consistently low during this period. Moving forward, major rehabilitation and replacement projects will be identified and included in the long-term capital expenditure plan along with expected funding sources. The main funding source for capital expenditures in the Covell Fund is rental income.

The Emission Technology Fund serves as a pass-through fund tracking various emission technology incentive grants. While the next couple of years are expected to be stable with respect to some grant funds, there is growing activity in other program areas, creating greater uncertainty into the future of the types and amount of grant funds the District will receive. As mentioned above, the District will continue to research funding options to poise itself to receive and leverage additional grant funding. There are no capital expenditures associated with this fund.

The District has a multi-year capital replacements and improvements planning process in which it budgets annually for identified projects. The District is developing a long-term Asset Management Program and has recently implemented a new enterprise financial software application capable of budgeting multiyear projects. Staff plans to utilize this functionality in the future to allow for improved financial planning for its larger assets.

Acknowledgements

The preparation of the CAFR was made possible by the dedicated services of the finance and management staff of the District's Administrative Services Division. These members have our sincere appreciation for the contribution made in the preparation of this report.

Recognition is also given to the Governing Board for their leadership and support, and to all employees of the District who continue to improve operations to accomplish the District's mission in a fiscally responsible manner.

Respectfully submitted,

Alberto Ayala, Ph.D., M.S.E.
Executive Director/Air Pollution Control Officer

Jamille Moens
Administrative Services Division Manager

GOVERNING BOARD

BOARD OF DIRECTORS

Donald Terry, Chair
Mayor, City of Rancho Cordova

Eric Guerra, Vice Chair
Council Member, City of Sacramento

Larry Carr
Council Member, City of Sacramento

Mark Crews
Vice Mayor, City of Galt

Albert J. Fox
Council Member, City of Citrus Heights

Sue Frost
Sacramento County Board of Supervisors

Roger Gaylord III
Council Member, City of Folsom

Steve Hansen
Vice-Mayor, City of Sacramento

Jeff Harris
Council Member, City of Sacramento

Patrick Kennedy
Vice Chair, Sacramento County Board of Supervisors

Steve Ly
Mayor, City of Elk Grove

Don Nottoli
Sacramento County Board of Supervisors

Susan Peters
Chair, Sacramento County Board of Supervisors

Phil Serna
Sacramento County Board of Supervisors

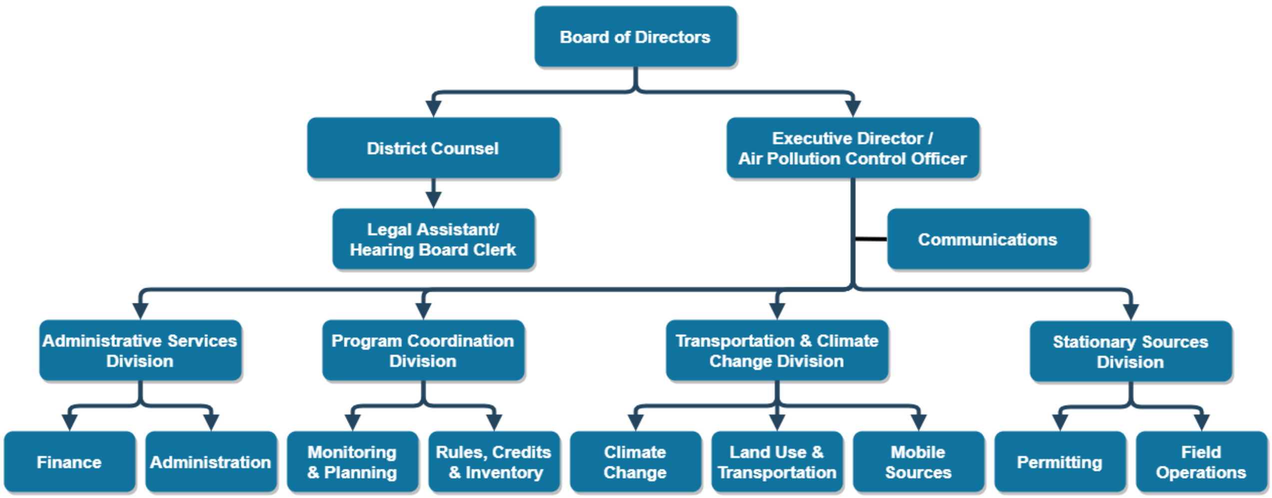
Executive Director / Air Pollution Control Officer

Alberto Ayala, Ph.D., M.S.E.

District Counsel

Kathrine Pittard

ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sacramento Metropolitan Air Quality Management District as of June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (pages 5-11), the Budget to Actual Comparisons (pages 48-49), the Schedule of Changes in the Net OPEB Liability and Related Ratios (page 50), Schedule of District's OPEB Contributions (page 51), the Schedule of Proportionate Share of the Net Pension Liability (page 52) and the Schedule of Pension Contributions (page 53) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financials statements of the District. The accompanying "Schedule of Expenditures of Federal Awards" is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements of Sacramento Metropolitan Air Quality Management District.

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75*, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions.* The District has not restated the actual and pro forma effect of the statement on the financial statements as of and for the year ended June 30, 2017. This data is not readily available due to an actuary study not being prepared in accordance with GASB 75 for measurement dates prior to June 30, 2017. Our opinion is not modified with respect to this matter.

The effects of this restatement are described in Note 1 to the basic financial statements. The implementation of GASB 75 required the District to recognize its unfunded actuarial accrued liability as its net OPEB liability, causing a decrease in the net position in the current year. The District currently funds this obligation on a pay-as-you go basis. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018 on our consideration of Sacramento Metropolitan Air Quality Management District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Comprehensive Annual Financial Report provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2018. Please read this document in conjunction with the transmittal letter located in the introductory section and the District's financial statements which follow this discussion.

Financial Highlights

The following are the highlights for the fiscal year ended June 30, 2018:

- The District's net position was $28.8 million, a 25% or $5.8 million increase over prior year.
  - $5.2 million of the increase is primarily due to restricted grant revenues received at the end of the year where the anticipated expenditure will happen in future years.
  - $.6 million of the increase is derived from the District's proprietary fund. Of the $.6 million, approximately half is due to one-time reduction in expenses for the Covell building.
- The District's total revenues were $5.7 million or 21% better than prior year primarily due to increases in permit fees and the number of active permits, as well as the grant revenue mentioned above.
- The District's total expenses were $2.5 million or 9% better than prior year primarily due to the one-time expense reduction for the Covell Building.
- Total liabilities increased by $2.2 million primarily due to higher pension expense of $1.5 million as well as a prior year adjustment for the District's OPEB (post-employment benefits) liability of $.8 million offset by reduced debt related to the loan for the purchase of the Covell Building.

Overview of Financial Statements

The District's Comprehensive Annual Financial Report (CAFR) comprised of three components: 1) government-wide financial statements 2) fund financial statements, and 3) footnotes and required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide readers with the overall financial position and activities of the District. These financial statements include the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* reports all assets held, liabilities owed and deferred inflows/outflows of resources by the District. Over time, increases or decreases in net position may serve as an indicator of whether the District's financial position is improving or deteriorating.

The *Statement of Activities* includes all current year revenues and expenses regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave.

Both of the District's Statement of Net Position and Statement of Activities distinguish the District's functions that are principally supported by taxes, grants and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District's governmental activities include rule development, permitting and enforcement, public outreach, incentive programs, and various other air quality management activities. The District's business-type activities include management and leasing of a building the District owns and occupies.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the governmental funds focus on near-term financing requirements, it is useful to compare the governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds. The District uses the Covell Building Fund to account for the operation and maintenance of the District's building. Proprietary fund financial statements are presented on a full accrual basis, the same basis as the government-wide financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, the District also presents certain supplementary information including statistical section that covers revenue, expenditure and fund balance trends for the past 10 years. Furthermore, the District presents a Schedule of Expenditures of Federal Awards as other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the District's case, assets exceeded liabilities by $28.8 million at the end of fiscal year 2017-18 (FY17-18). The schedule below presents a condensed Statement of Net Position as of June 30, 2018 compared with the prior fiscal year.

Condensed Statement Of Net Position
(in thousands)

	Governmental Activities		Business – Type Activities		Total	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**
Assets and Deferred Outflows of Resources						
Current and other assets	$26,134	$34,426	$1,236	$1,621	$27,370	$36,047
Capital assets	1,196	1,170	4,703	4,571	5,899	5,741
Total Assets	27,330	35,596	5,939	6,192	33,269	41,788
Deferred outflows of resources	4,838	4,140	-	-	4,838	4,140
Liabilities and Deferred Inflows of Resources						
Current liabilities	2,037	2,265	375	338	2,412	2,603
Non-current liabilities	8,667	10,999	3,184	2,874	11,851	13,874
Total Liabilities	10,704	13,265	3,559	3,212	14,263	16,477
Deferred inflows of resources	875	676	-	-	875	676
Net Position						
Net investment in capital assets	1,196	1,170	821	984	2,017	2,154
Restricted	18,788	23,692	417	420	19,205	24,113
Unrestricted	605	933	1,142	1,575	1,747	2,508
Total Net Position	**$20,589**	**$25,795**	**$2,380**	**$2,980**	**$22,969**	**$28,775**

Approximately 84% of the District's net position consists of resources subject to external restrictions on how they may be used and 7% of the District's net position reflects its net investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. A total of $2.5 million or 9% is unrestricted.

The Governmental net position increased by $5.2 million during the current fiscal year. Of this amount, $4.9 million is restricted and $.3 million is unrestricted. The increase in the restricted net position is due to additional grant revenue received for incentive projects offset by a one-time adjustment for the District's OPEB liability that affected reserves for several of the District's primary programs. The increase in the unrestricted net position is due to higher than anticipated settlement revenues and interest. The Business net position increased by $.6 million primarily due to the one-time expense reduction with $.4 million being unrestricted and the remainder categorized as investment in capital assets.

The following schedule shows revenues by major source, expenses by function and Changes in Net Position for the fiscal years ended June 30, 2017 and June 30, 2018.

Condensed Statement of Activities
(in thousands)

	Governmental Activities		Business – Type Activities		Total	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**
Revenues						
Charges for services	$7,763	$8,765	$1,019	$1,026	$8,782	$9,791
Operating grants and contributions	11,014	15,930	-	-	11,014	15,930
Grants/subventions	7,348	6,996	-	-	7,348	6,996
Interest	82	116	18	29	100	145
Penalties/settlements	394	497	-	-	393	497
Total Revenues	26,601	32,304	1,037	1,054	27,637	33,359
Expenses						
Stationary Source activities	6,222	7,496	-	-	6,222	7,496
Mobile Source activities	11,561	8,427	-	-	11,561	8,427
Program Coordination activities	4,381	4,901	-	-	4,381	4,901
Strategic Planning activities	3,938	5,184	-	-	3,938	5,184
Building operations and obligations	-	-	876	301	876	301
Depreciation	238	227	-	153	238	380
Total Expenses	26,340	26,235	876	454	27,216	24,685
Increase (Decrease) in Net Position	260	6,069	160	600	420	6,669
Prior Period Adj for OPEB (GASB 75)		(863)				
Beginning Net Position	20,329	20,589	2,220	2,380	22,549	22,969
Ending Net Position	**$20,589**	**$25,795**	**$2,380**	**$2,980**	**$22,969**	**$28,775**

Governmental Activities

Revenues for governmental activities increased by $5.7 million primarily due to the grant revenue received late in the year restricted for incentive projects; permit fee increases and a higher number of permits issued; and additional settlement revenue.

Overall expenses for governmental activities decreased by $.1 million with savings from reduced incentive pay-outs offset by higher labor costs, pension expenses, and other professional services.

Business-type Activities

Business-type activities increased the District's net position by $.6 million. Key elements of this increase are as follows:

- Operating revenues from the building were $.1 million or a 2% increase over prior year due to higher parking fees and interest. Operating Expenses for the building totaled $.5 million for the year, a decrease of $.4 million over the prior year due predominantly to a one-time expense adjustment.
- The District made a principal payment of $295,000 in FY17-18 for the Certificate of Participation (COP). Next year, the principal payment will be $305,000.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District has two governmental funds, the General and Emission Technology Fund. Governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. The unassigned fund balance represents the portion of the fund balance, which has not yet been limited to use for a particular purpose.

The General Fund is the District's chief operating fund. At the end of the FY17-18, unassigned fund balance of the General Fund was $2 million, an increase of $.3 million over the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 11% of total General Fund expenditures, while total fund balance represents approximately 55% of that same amount.

General Fund Budgetary Highlights

The board approved a budget modification at the February 22, 2018 meeting to reduce revenue for the General Fund by $350,735 in order to reclassify revenue as an operating transfer. In the Special Revenue Fund, the board reduced revenue and expenditures by $11,288,682, respectively, due for program implementation delays.

Compared to the Amended Budget, the General Fund revenues exceeded budget by $1 million primarily due to the higher number of permits issued along with higher than anticipated settlement revenue. Expenses for the General Fund were less than budget by $3.2 million primarily due to position vacancies and reduced spending on professional services as well as capital project delays.

For the Special Revenue Fund, also referred to as the "Emissions Technology" Fund, revenue was less than budget by $1.4 million while expenses were $9 million less than budget primarily to the delay in issuing incentive dollars against previously received grant proceeds. The Emissions Technology Fund finished $7.6 million better than the Amended Budget primarily due to timing. The District anticipates paying out incentives related to the grant revenue received in 2018 over the next two years.

Capital Assets and Debt Administration

Capital Assets

At the end of FY17-18, the District's net investment in capital assets for its governmental activities and business-type activities was $2.2 million (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, laboratory equipment, and air monitoring stations. The total investment in capital assets for the current fiscal year was $.2 million.

Long-term Debt

At the end of FY17-18, the District had outstanding bonds secured by the District's office building. Total debt outstanding as of June 30, 2018 was $3.2 million. Based on the current payment schedule, these bonds will be paid-off by the end of 2027.

Next Year's Budget

Revenues for the 2018-2019 fiscal year for the General Fund are budgeted to be flat with increases in permit fees, state revenue, and sales tax offset by reductions in Federal grants and fines and forfeitures. Expenses for the General Fund are budgeted at an increase of $4.6 million over the actual amounts expended in FY17-18 with $2.2 million for salaries and benefits reflecting significant salary savings in FY17-18; $1.5 million for services and supplies; and $1 million for capital primarily related to the postponement in implementation of Information System projects and construction improvements for several air monitoring stations.

Special Revenue fund revenues are budgeted at $33 million, an increase of $20 million due to higher grant revenue anticipated in 2018-2019. Expenditures are budgeted at $21 million, an increase of $16 million to provide for incentive payments to reduce emissions from heavy-duty vehicles.

Economic Factors

As of June 30, 2018, there are several foreseeable economic or political conditions that may have an effect on the financial position of the District. The potential repeal of the Affordable Care Act and decreases in the CalPERS discount rate may affect the District's financial position. The effects, if any, of these events are not calculable at this time.

Regarding revenues, the Department of Motor (DMV) registration records are showing a slight increase in the number of registered vehicles. Therefore, the District is anticipating DMV funding to stay stable over the next few years. In addition, Measure A sales tax revenue is expected to increase slightly for the next four years based on Sacramento Transportation Authority's (STA) allocation plan for FY 2018-2021. There may be a proposed increase in sales tax in the next couple of years, and the District is working with STA to seek additional sales tax revenue if a measure is approved by voters.

With the passage of AB617 to address the disproportionate impacts of air pollution in environmental justice communities, and new California climate investments for innovative efforts to mitigate air and greenhouse gas pollution, the District will likely see an infusion of operating and incentive funds to implement these mandates. Many of these programs, however, require matching or supplemental funding and therefore, the District is evaluating strategies to ensure sufficient revenue streams to implement these programs and leverage millions of dollars in state funding.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

> Sacramento Metropolitan Air Quality Management District
> 777 12th Street, 3rd Floor, Sacramento CA 95814
> Attn: Finance Department

BASIC FINANCIAL STATEMENTS

Statement of Net Position

	Primary Government 2018		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 25,759,604	$ 1,588,899	$ 27,348,503
Receivables	8,264,128	14,334	8,278,462
Prepaids	402,380	17,933	420,313
Total current assets:	34,426,112	1,621,166	36,047,278
Non-current assets:			
Deposits with others - certificate of participation reserve	-	420,495	420,495
Capital assets			
Land and other non-depreciable assets	-	1,086,652	1,086,652
Other capital assets - net of depreciation	1,170,111	3,063,879	4,233,990
Total non-current assets:	1,170,111	4,571,026	5,741,137
Total assets:	35,596,223	6,192,192	41,788,415
Deferred Outflow of Resources			
Deferred outflow on pensions	4,111,684	-	4,111,684
Deferred outflows on OPEB	27,894	-	27,894
Total Deferred outflow of resources:	4,139,578	-	4,139,578
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	1,158,519	33,023	1,191,542
Accrued wages and benefits payable	250,859	-	250,859
Unearned revenue	-	-	-
Compensated absences - due within one year	855,873	-	855,873
Certificates of participation - due within one year	-	305,000	305,000
Total current liabilities:	2,265,251	338,023	2,603,274
Non-current liabilities			
Deposits from others	-	13,110	13,110
Compensated absences - due in more than one year	106,188	-	106,188
Certificates of participation - due in more than one year	-	2,820,000	2,820,000
OPEB liability, net	832,566		832,566
Pension liability, net	10,060,590	-	10,060,590
Total noncurrent liabilities:	10,999,344	2,833,110	13,832,454
Total liabilities:	13,264,595	3,171,133	16,435,728
Deferred Inflow of Resources			
Premium on Certificates of Participation	-	41,305	41,305
Deferred inflow on pensions	675,768	-	675,768
Total Deferred inflow of resources:	675,768	41,305	717,073
Net Position			
Net investment in capital assets	1,170,111	984,226	2,154,337
Restricted	30,250,374	420,495	30,670,869
Unrestricted	(5,625,047)	1,575,033	(4,050,014)
Total net position:	$ 25,795,438	$ 2,979,754	$ 28,775,192

Statement of Activities

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net position: Governmental Activities	Net (Expense) Revenue and Changes in Net position: Business Type Activities	Net (Expense) Revenue and Changes in Net position: Total
Primary government:						
Governmental activities:						
Stationary Source activities	$ 7,496,315	$ 8,140,016	$ -	$ 643,701	$ -	$ 643,701
Mobile Source activities	8,427,228	155,097	13,690,540	5,418,409	-	5,418,409
Program Coordination activities	4,901,319	154,767	1,596,487	(3,150,065)	-	(3,150,065)
Strategic Planning activities	5,183,744	315,248	643,422	(4,225,074)	-	(4,225,074)
Depreciation expense - unallocated	226,521	-	-	(226,521)	-	(226,521)
Total governmental activities	26,235,127	8,765,128	15,930,449	(1,539,550)	-	(1,539,550)
Business-type activities:						
Building operations and obligations	454,367	1,025,568	-	-	571,201	571,201
Total primary government	$ 26,689,494	$ 9,790,696	$ 15,930,449	(1,539,550)	571,201	(968,349)
General revenues:						
DMV fees				4,907,787	-	4,907,787
Sales Tax				1,796,580	-	1,796,580
Grants - not restricted to specific activities				291,467	-	291,467
Interest				116,467	28,661	145,128
Gain on sale of capital assets				-		-
Penalties/settlements				496,575	-	496,575
Total general revenue				7,608,876	28,661	7,637,537
Change in Net Position for the Period				6,069,326	599,862	6,669,188
Prior Period Adjustment for OPEB (GASB 75)				(863,220)	-	(863,220)
Total Change in Position				5,206,106	599,862	5,805,968
Begining Net Position				20,589,332	2,379,892	22,969,224
Net Position - ending balance				$ 25,795,438	$ 2,979,754	$ 28,775,192

The accompanying notes are an integral part of these financial statements.

Balance Sheet – Governmental Funds

ASSETS	General	Emission Technology	Total Governmental
Assets			
Cash and equivalents	$ 9,463,562	$ 16,296,042	$ 25,759,604
Accounts receivables	1,829,335	6,434,793	8,264,128
Prepaids	402,380	-	402,380
Total assets	$ 11,695,277	$ 22,730,835	$ 34,426,112
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ 866,435	$ 292,084	$ 1,158,519
Accrued wages and benefits payable	250,859	-	250,859
Unearned revenue	-	-	-
Total liabilities	1,117,294	292,084	1,409,378
Fund balance			
Nonspendable	402,380	-	402,380
Resticted	7,811,623	22,438,751	30,250,374
Assigned	320,000		320,000
Unassigned	2,043,980	-	2,043,980
Total Fund Balances	10,577,983	22,438,751	33,016,734
Total liabilities and fund balances	$ 11,695,277	$ 22,730,835	$ 34,426,112

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Fund balances - total governmental funds		$ 33,016,734
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, includung capital assets and accumulated depreciation.		
Capital assets at historical cost:	$ 3,679,272	
Accumulated depreciation:	(2,509,161)	
		1,170,111
Long-term liabilities: In governmental funds, Only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Net pension liability	(10,060,590)	
Net OPEB Liability	(832,566)	
Compensated absences payable	(962,061)	
		(11,855,217)
Deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB): In goverrnmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.		
Deferred outflows of resources relating to pensions	4,111,684	
Deferred outflows of resources relating to OPEB	27,894	
Deferred inflows of resources relating to pensions	(675,768)	
		3,463,810
Net position of governmental activities:		$ 25,795,438

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

	General	Emission Technology	Total Governmental
Revenues:			
DMV surcharge	$ 5,062,882	$ 2,326,442	$ 7,389,324
Sales/use tax	1,796,580	-	1,796,580
Permits and fees	8,395,134	-	8,395,134
Local government aid	188,555	-	188,555
State	743,500	10,166,667	10,910,167
Federal grants	2,404,891	214,979	2,619,870
Fines & Forfeitures	621,322		621,322
Other	37,501		37,501
Interest	116,467	229,534	346,001
Total revenues	19,366,832	12,937,622	32,304,454
Expenditures:			
Stationary source activities	6,725,549	-	6,725,549
Mobile source activities	2,926,183	5,122,293	8,048,476
Program coordination activities	4,384,116	-	4,384,116
Strategic planning activities	4,861,221	-	4,861,221
Capital outlay	200,510	-	200,510
Total expenditures	19,097,579	5,122,293	24,219,872
Other Financing Sources (Uses)			
Gain on sale of capital assets	-	-	-
Net change in fund balances	269,253	7,815,329	8,084,582
Fund balances, July 1, 2017	10,308,730	14,623,422	24,932,152
Fund balances, June 30, 2018	$ 10,577,983	$ 22,438,751	$ 33,016,734

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net change in fund balances - total governmental funds	$ 8,084,582
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded in the current period.	197,365
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therfore, depreciation expense is not reported as an expenditure in governmental funds.	(223,375)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(2,062,934)
OPEB: In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	58,548
Changes in long-term compensated absences are reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore they are not reported as expenditures in governmental funds.	15,140
Changes in net position of governmental activities:	$ 6,069,326

Statement of Net Position – Proprietary Fund

ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,588,899
Receivables	14,334
Prepaid	17,933
Total current assets:	1,621,166
Non-current assets:	
Deposits with others - certificate of participation reserve	420,495
Capital assets:	
Land and other non-depreciable assets	1,086,652
Other capital assets - net of depreciation	3,063,879
Total non-current assets:	4,571,026
Total assets:	6,192,192
LIABILITIES	
Current liabilities:	
Accounts payable	33,023
Unearned revenue	-
Certificates of participation - due within one year	305,000
Total current Liabilities:	338,023
Non-current liabilities	
Deposits from others	13,110
Certificate of participation, due in more than one year	2,861,305
Total noncurrent liabilities:	2,874,415
Total Liabilities:	3,212,438
NET POSITION	
Net investment in capital assets	984,226
Restricted for Debt Service	420,495
Unrestricted	1,575,033
Total net position:	$ 2,979,754

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

Operating revenues:	
Rental income	$ 967,981
Parking income	57,587
Total operating revenue	1,025,568
Operating expenses:	
Repairs and maintenance costs	121,833
Utilities, security and communications	89,382
Management fees	19,976
Parking lot operations	(47,524)
Depreciation expense	152,426
Other expense	5,430
Total operating expenses	341,523
Operating income	684,045
Non-operating revenues and expenses:	
Interest income	28,661
Interest expense	(112,844)
Net non-operating revenues (expenses)	(84,183)
Changes in net position	599,862
Net Position, July 1, 2017	2,379,892
Net Position, June 30, 2018	$ 2,979,754

Statement of Cash Flows – Proprietary Fund

Cash flows from operating activities:	
Cash received from rental and parking activities	$ 1,018,530
Cash paid for goods and services	(251,882)
Net cash provided by operating activities	766,648
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(295,000)
Purchases of capital assets	(16,143)
Interest paid on long-term debt	(112,844)
Net cash used for capital and related financing activities	(423,987)
Cash flows from investing activities:	
Interest and dividends received	19,834
Net cash provided by investing activities	19,834
Net increase in cash and cash equivalents	362,495
Beginning cash balance July 1, 2017	1,226,404
Ending cash balance June 30, 2018	$ 1,588,899
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 684,045
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	152,426
Effects of changes in :	
Accounts receivable	(7,038)
Accounts payable	(46,540)
Unearned Revenue	-
Prepaids	(16,245)
Deposits from others	-
Net cash provided by operating activities	$ 766,648

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The Sacramento Metropolitan Air Quality Management District (District) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. The District functions under the oversight of its fourteen-member Board of Directors, established and appointed pursuant to Health and Safety Code Section 40980. The District has no component units.

C. BASIS OF PRESENTATION

Government-wide financial statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, represented by activity type (e.g. governmental, business).

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciliations, containing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds, are included.

The government-wide statement of net position records all of the District's assets and liabilities including capital assets, long-term liabilities, deferred inflows and deferred outflows.

The government-wide statement of activities presents a comparison between total expenses and program revenues for each function or program of the District's governmental activities. Total expenses are those that are associated with or allocated to a service, program, or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

Fund financial statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has three major funds for reporting purposes: the General Fund, Emission Technology Fund and the Proprietary Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which includes current assets and liabilities, and the statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The purchase of capital assets and long-term debt proceeds and payments are reflected as revenues and expenditures on these statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end. District exchange transactions are Proprietary Fund building rents and parking revenues, interest revenue, Rule Book sales and Planet Polluto CD sales.

Imposed non-exchange transaction revenues result from assessments imposed on nongovernmental entities, including individuals (other than assessments imposed on exchange transactions) and the revenues are recognized in the period when use of the resources is required or first permitted. Unearned revenues are recognized when resources are received or recognized as receivable before the time requirements are met. District imposed non-exchange transactions are the DMV surcharge, planning service charges, Stationary Source Permit fees and renewals, Land Use Mitigation Permits, SEED program fees, Title V Permits, Agricultural Burning Fees, Asbestos Plan Check Fees, State Toxic Emission Fees, Variances, and Settlements.

Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of non-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. Unearned revenues are recognized when the recipient is required to use the resources in the following year thus resources provided before that period should be recognized as unearned. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement Emission Reduction (GMERP), Lower Emission School Bus Program (LESBP), Measure A Sales Tax ½%, Environmental Protection Agency Section 103 and 105 grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air) and various agreements with Yolo/Solano Counties, El Dorado County and Placer County.

Expenses/Expenditures

The government-wide financial statements are presented using the accrual basis of accounting, where expenses are recognized at the time they are incurred. The focus of governmental fund accounting is short-term. Therefore, expenditures are recorded when paid. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first. Then, unrestricted resources are used as needed.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net position, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District’s accounts are organized into three funds:

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Emission Technology Fund** accounts for the resources accumulated and payments made for mobile source incentive awards. It is budgeted as a special revenue fund.

The **Proprietary Fund** reports the ownership and operational revenues and expenses of the District's building along with the long-term debt obligations.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets, as required by state statues, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund.

On or before the last day in February of each year, all divisions of the District submit budget packages to the Administrative Services Manager so that a budget may be prepared. At the May Board of Directors' meeting, the proposed budget is presented to the Board for review. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings and a final budget or continuing budget resolution must be prepared and adopted no later than the June meeting.

The appropriated budget is prepared by fund, function and division. The District's division managers may make transfers of appropriations within an object (e.g. salaries and benefits, services and supplies, capital outlay and inter-fund charges). Transfers of appropriations between objects require the approval of the Board. The legal level of budgetary control is the object level.

G. CASH AND CASH EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of $5,000 or more and a useful life of greater than one year. They are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Machinery and equipment	2-20
Buildings	39

I. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits and compensated time-off for certain employees in lieu of overtime compensation and/or working on holidays per bargaining agreements are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, a portion of sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

J. DEFERRED INFLOW/OUTFLOW OF RESOURCES

In addition to assets, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that apples to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net position liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net position liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the Districts contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

K. PENSIONS LIABILITY

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

L. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

M. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *"Fund Balance Reporting and Governmental Fund type Definitions",* the District is required to report fund balances in the following categories: Non-spendable, Restricted, Committed, Assigned and/or Unassigned.

Non-spendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used only for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

N. LONG-TERM LIABILITIES

The District reports long-term liabilities of governmental funds at face value in the government-wide financial statements, and long-term liabilities payable from proprietary funds are reported in the proprietary fund financial statements and government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

In the governmental fund financial statements, debt premiums, discounts, and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

O. UNEARNED REVENUE

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. There was no unearned revenue in FY 2018.

P. REVENUE FROM BUILDING LEASES

Lease revenues reported in the proprietary fund are recorded on a straight-line basis where the sums of all the rents payable over the life of a tenant lease are reported pro-ratably over the life of the lease.

Q. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide statements, some amounts reported as inter-fund activity and balances in the fund financial statements, were eliminated or reclassified. Inter-fund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the government activities column.

R. USE OF ESTIMATES

Management is called upon to use estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

S. CHANGE IN ACCOUNTING PRINCIPLE

As of June 30, 2018, the District's net OPEB liability must be recognized in accordance with Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*. Therefore, the previously unfunded actuarial accrued liability as of June 30, 2017 in the amount of $863,220 has been shown as a restatement of net position on the Statement of Activities as a separate line item. The impact of the change decreased net position for the fiscal year ended June 30, 2017 by $863,220.

Statement No. 75 requires a cost-sharing employer to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. The provisions of this Statement are required to be applied and are effective for the District's fiscal year ended June 30, 2018.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2018 consist of the following:

	Governmental Accounts	Proprietary Accounts	Total
Deposits:			
Balance per Bank	$ $3,702,011	$ 19,540	$ 3,721,551
Pooled Funds:			
Cash in County Treasury	22,259,312	1,569,359	23,828,671
Less: Outstanding Checks	201,719	-	201,719
Total Cash and Investments	$ 25,759,604	$ 1,588,899	$ 27,348,503

Cash in Bank

The carrying amount of the District's cash is covered by federal depository insurance up to $250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

Cash in County Treasury

In accordance with Board of Directors resolution AQM-96-0040, the District maintains substantially all of its cash in the Sacramento County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants. The fiscal year net earnings rate for this fund was approximately 1%. The pool is currently not rated by a nationally recognized statistical rating organization. The monies held in pooled investment funds are not subject to categorization by credit risk category.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53601 et seq., section 53635 et seq., and the Sacramento County annual investment policy of the pooled investment fund. The funds maintained by the Treasury are authorized investments established by the California Government Code sections 53601 et seq. and 53635 et seq.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

Description	Level 1	Level 2	Level 3	Total
US Agency, Treasury & Municipal Notes (USATM):				
US Agency Notes:				
Notes/Discount Notes FFCB	$1,827,659	$ -	$ -	$1,827,659
Notes/Discount Notes FHLB	2,640,217	-	-	2,640,217
Notes/Discount Notes FNMA	1,179,519	-	-	1,179,519
Notes/Discount Notes FHLMC	383,642	-	-	383,642
US Treasury Notes	233,519	-	-	233,519
Municipal Notes:	128,675	-	-	128,675
Supranationals	3,736,336	-	-	3,736,336
Commercial Paper	-	6,781,640	-	6,781,640
Certificates of Deposit	-	6,533,822	-	6,533,822
LAIF	233,254	150,388	-	383,642
Total	$10,362,821	$13,465,850	$ -	$23,828,671

Interest Rate Risk

The Counties investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are generally limited to five years or less. At the end of June 30, 2018, Treasury's investments are in accordance with the Counties investment policy. The Treasury's investment has an average days-to-maturity of 309 days and yields 1.71% as of June 30, 2018.

Credit Risk

Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's and, if available, F1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's and A2 by Moody's, and, if available, A by Fitch. Municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIGI by Moody's, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Individual bank rating of A or better, without regard to modifiers.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Notes & Agency Obligations	5 years	100%	N/A
Washington Supranational Obligations	5 years	30%	10%
Municipal Notes	5 years	80%	10%
Registered State Warrants	5 years	80%	10%
Bankers Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
CRA Bank Deposit/Certificates of Deposit	1 year	30%	10%
Repurchase Agreements	1 year	30%	10%
Reverse Repurchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	180 days	30%	10%
Collateralized Mortgage Obligations	180 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	$65 million	10%
Money Market Mutual Funds	N/A	20%	10%

3. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

Investments of debt proceeds held by the bond trustee, Certificate of Participation (COP) Reserve in the amount of $420,495 are included in Business-type Activities as deposits with others and shown as restricted net position. These moneys are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Moneys in the COP Reserve will at all times be in the amount of the Reserve Requirement. The Reserve Requirement is defined as the lesser of (i) 10% of the original principal amount, (ii) an amount equal to the maximum annual Lease payment payable in a Certificate Year by the District, or (iii) 125% of the average annual lease payment.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2018:

Governmental Funds:	
DMV Surcharge	$1,305,924
Federal/State	6,718,105
Permit/Fees	58,869
Interest	180,503
Miscellaneous	727
	$8,624,128
Proprietary Fund:	$14,334

5. OPERATING LEASES

The District leases an air monitoring site under an operating lease. Total cost for the lease was $3,276 for the year ended June 30, 2018. The future minimum lease payments for this lease are as follows:

Year ending June 30:	
2019	$3,276
2020	3,276
2021	3,276
2022	3,276
2023	3,276
2024	3,276
Total	$19,656

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Transfer from WIP to Capital Assets	Retirements	Balance June 30, 2018
Governmental Activities					
Capital assets, not being depreciated					
Work in Process	$120,416	$45,438	$ -	$ -	$165,854
Total capital assets, not being depreciated	120,416	45,438	-	-	165,854
Capital assets, being depreciated					
Equipment	3,683,127	151,927	-	321,636	3,513,418
Less: accumulated depreciation	2,607,422	223,375	-	321,636	2,509,161
Total capital assets, being depreciated	1,075,705	(71,448)		-	1,004,257
Governmental activities capital assets, net	$1,196,121	$(26,010)	$ -	$ -	$1,170,111
Business-Type Activities					
Capital assets, not being depreciated					
Land	$1,086,652	$ -	$ -	$ -	$1,086,652
Building Work in Process	120,165	-	(120,165)	-	-
Total capital assets, not being depreciated	1,206,817	-	(120,165)	-	1,086,652
Capital assets, being depreciated					
Building	5,177,903	16,193	120,165	-	5,314,261
Less: accumulated depreciation	2,097,957	152,425	-	-	2,250,382
Total capital assets, being depreciated	3,079,946	(136,232)	120,165	-	3,063,879
Business-Type activities capital assets, net	$4,286,763	$(136,232)	$ -	$ -	$4,150,531

Depreciation expense for governmental activities of $223,375 was unallocated. Depreciation expense for business-type activities of $152,425 was allocated to building operations and obligations.

7. LONG-TERM LIABILITIES

Certificates of Participation

In March 2012, the District refunded the 2002 certificates with 2012 certificates in the amount of $4,350,000, with interest rates ranging from 2.75% to 4.00%. As of June 30, 2018, the principal balance outstanding was $3,125,000. Proceeds included a bond premium of $72,382, which will be amortized over the life of the COPs.

The certificates mature as follows:

Year Ending June30	Principal	Interest	Totals
2019	$305,000	$103,844	$408,844
2020	315,000	94,544	409,544
2021	325,000	85,350	410,350
2022	330,000	75,931	405,931
2023	345,000	65,591	410,591
2024-2027	1,505,000	123,100	1,628,100
	3,125,000	548,360	3,673,360
Unamortized Premium	41,305		41,305
Total	$3,166,305	$548,360	$3,714,665

For the year ended June 30, 2018 total interest expense for the COPs was $112,844, and principal paid on the COPs was $295,000.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type Activities					
Certificates of Participation	$3,420,000	$ -	$295,000	$3,125,000	$305,000
Governmental Activities					
Compensated Absences	$ 977,203	$900,763	$915,903	$962,063	$855,874
Pension Liability	$8,524,599	$1,535,991	$ -	$10,060,590	$ -
OPEB Liability	$ -	$832,566	$ -	$832,566	$ -

8. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered by commercial insurance purchased from independent third parties

There have been no significant changes in insurance coverage and one settlement was made, and one (separate) claim was filed in the last four years.

During the fiscal year ended June 30, 2018, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 9). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

9. JOINT VENTURES (Joint Powers Agreement)

The District is a member of the SDRMA, through a Joint Power Agreement (JPA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA arranges for and provides property, liability, error and omissions, auto liability, crime and fidelity, workers' comp and boiler and machinery insurance to its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SDRMA.

Condensed audited financial information of SDRMA for the year ended June 30, 2017 is as follows:

Total Assets	$110,682,834
Deferred Outflow of Resources	332,954
Total Liabilities	58,754,717
Deferred Inflow of Resources	117,687
Net Position	$52,143,384
Total Revenues	$64,475,979
Total Expenses	61,022,721
Net Income (Loss)	$3,453,258

Complete audited financial statements for the JPA can be obtained by contacting SDRMA, 1112 I Street, Suite 300, Sacramento, CA 95814.

Nature of Participation

Program	Deductible per Occurrence	Annual Coverage Limit
General Liability	$500	$10,000,000 Per Occurrence
Public Officials and Employees Errors and Omissions	$0	$10,000,000 Per Occurrence/Annual Aggregate
Elected Officials Personal Liability	$500	$500,000 Per Occurrence/Annual Aggregate per each elected /appointed Board Member/Director
Employment Practices Liability	$0	$10,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	$0	$10,000,000 Per Occurrence/General Aggregate
Employee and Public Officials Dishonesty Coverage	$0	$1,000,000 Per Occurrence
Auto Liability	$1,000	$10,000,000 Per Occurrence
Uninsured/Underinsured Motorist	$1,000	$1,000,000 Each Accident
Property Coverage	$1000	$1,000,000,000 Each Occurrence
Boiler and Machinery Coverage	$1,000	$100,000,000 Each Occurrence
Statutory Workers' Comp	$0	Statutory Per Occurrence
Cyber Coverage	$25,000	$2,000,000 Annual Aggregate
Pollution Coverage	Range $37,500-$750,000	$1,000,000 Blanket Limit per Pollution Condition

10. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

11. EMPLOYEE RETIREMENT SYSTEMS

SCERS

On June 30, 1996, the District ceased participation in the Sacramento County Employees' Retirement System (SCERS). Vested participants were given the option of withdrawing their account balances or leaving their balances within SCERS. The District retained liability for its share of the County's bonded pension liability. The most recent actuarial valuation on June 30, 2014 determined that the District had a Net Pension Asset of $160,167.

CalPERS

Plan Description

Effective July 1, 1996, all qualified permanent and probationary employees began participating in the California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street, Room 3340, Sacramento CA 95811.

Benefits Provided

The benefits for public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. All permanent part-time and full-time employees of the District are required to participate in CalPERS. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with 5 years of total service are eligible to retire at age 50 or 52 (depending on the Plan) with statutorily reduced benefits.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63 or older	52-67 or older
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.25%
Required employer contribution rates	8.418%	6.533%
Final Compensation	36 months	36 months

Funding Policy

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1st following the notice of a change in rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were $1,286,471.

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

As of June 30, 2018, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan in the amount of $10,060,590.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of 2018 was as follows:

	Miscellaneous CLASSIC/PEPRA
Proportion - June 30, 2015	0.254859%
Proportion - June 30, 2016	0.263720%
Proportion - June 30, 2017	0.275520%
Change - Increase (Decrease)	0.011800%

For the year ended June 30, 2018, the District recognized pension expense of $1,286,471. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$1,841,399	$140,408
Differences between expected and actual experiences	14,841	212,623
Differences between projected and actual investment earnings	416,449	-
Change in employer's contributions and proportionate share of contributions	-	279,699
Change in employers portion	552,525	43,038
Pension contributions made subsequent to measurement date	1,286,471	-
Total	$4,111,684	$675,768

$1,286,471 reported as deferred outflows of resources relate to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources
2019	$499,339
2020	1,130,049
2021	767,311
2022	(247,253)
2023	-
Thereafter	-

Actuarial assumptions

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return (1)	7.00%
Mortality	Deriving using CalPERS' membership data for all funs

(1) Compounded annually, net of administrative and investment expenses

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2014, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plan that would most likely in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress results are presented are presented in a detailed report called "GASB Crossover Testing report" that can be obtained from the CalPERS website under GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%.

Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and assets allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.4%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate:

	Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
	(6.15%)	(7.15%)	(8.15%)
Plan's Net Pension Liability	$16,130,368	$10,060,590	$5,033,491

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description. The District participates in a multi-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) $128 in calendar year 2018. An additional $150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age. At June 30, 2018 the District had 39 retirees participating in the plan.

The District has established an irrevocable trust to pre-fund the OPEB Annual Required Contribution (ARC) with the California Employers' Retiree Benefit Trust (CERBT).

The CERBT was established by Chapter 331 of the 1988 California Statutes, and employers elect to participate in the CERBT to pre-fund health, dental, and other non-pension postemployment benefits for their retirees and survivors. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. There are three Board approved investment strategies for employers to choose from depending on their expected levels of return and volatility.

Benefits provided. Sacramento Metropolitan Air Quality Management District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	39
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	96
	135

Contributions. For the year ended June 30, 2018, the District's average contribution rate was 2.63 percent of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3% per annum, in aggregate
Investment rate of return	6% per annum
Global Debt Securities	6.50% for HMO and PPO for 2018, decreasing 0.5% per year to an ultimate rate of 5.0% for HMO for 202 and later years and for PPO for 2019 and later years

All the actuarial assumptions, including updates to salary increases, mortality, and retirement rates, used in the June 30, 2017 valuation were based on the results of an actuarial experience study issued by the CalPERS Actuarial Office on January 2014 covering the 14-year period from 1997 to 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
CERBT		
Global Equity	24%	5.50%
REITs	8%	3.65%
US Fixed Income	39%	2.35%
Commodities	3%	1.75%
Inflation assets	26%	1.50%
Total	100%	

Discount rate. The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates through the CERBT under its investment allocation strategy 3. The rate reflects the CERBT published median interest rate for strategy 3 of 6.12 percent with an additional margin for adverse deviation. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

	Increase (Decrease)		
	Total OPEB liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a)-(b)**
Balances at June 30, 2017	$2,444,108	$1,580,888	$863,220
Changes for the year:			
Service cost	127,662	-	127,662
Interest	151,691	-	151,691
Contributions - employer	-	246,101	(246,101)
Net investment income	-	64,728	(64,728)
Benefit payments	(87,179)	(87,179)	-
Administrative expense	-	(822)	822
Net changes	192,174	222,828	(30,654)
Balances at June 30, 2018	$2,636,282	$1,803,716	$832,566

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current discount rate:

	1% Decrease (5.00%)	**Discount Rate (6.00%)**	**1% Increase (7.00%)**
Net OPEB liability (asset)	$1,162,075	$832,566	$555,536

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% for HMO and PPO decreasing to 4.0%) or 1-percentage-point higher (7.5% for HMO and PPO decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (5.50% HMO / 5.50% PPO decreasing to 4.00% HMO / 4.00% PPO)	Healthcare Cost Trend Rates (6.50% HMO / 6.50% PPO decreasing to 5.00% HOM / 5.00% PPO)	1% Increase (7.50% HMO / 7.50% PPO decreasing to 6.00% HMO / 6.00% PPO)
Net OPEB liability (asset)	$574,659	$832,566	$1,153,917

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report.

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

For the year ended June 30, 2018, the District recognized OPEB expense of $6,974. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	27,894	-
Total	$27,894	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Total Deferred Outflows/(Inflows) of Resources
2019	$ 6,974
2020	6,974
2021	6,974
2022	6,972
2023	-
Thereafter	-
Total	$ 27,894

Payable to the OPEB Plan

At June 30, 2018, the District did not have an outstanding amount of required contributions for the year ended June 30, 2018.

13. DEFERRED COMPENSATION PLAN

The District offers its employees an elective deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits a portion of the employees' salary to be deferred into future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan contributions are invested in various investment funds selected by the participating employees. The available investment options include a fixed return fund, stock fund, bond fund and a money market fund. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit and use of plan participants and their beneficiaries per federal legislation dated January 1, 1999.

14. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2018 through October 16, 2018, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances General Fund - Budget and Actual

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund.

Revenues:	Original	Amended & Final	Actual Amounts	Variance with Amended Budget Favorable (Unfavorable)
DMV surcharge	$ 5,151,682	$ 5,151,682	$ 5,062,882	$ (88,800)
Sales/use tax	1,771,248	1,771,248	1,796,580	25,332
Permits and fees	7,681,705	7,681,705	8,395,134	713,429
Local government	298,459	298,459	188,555	(109,904)
State	1,303,261	952,526	743,500	(209,026)
Federal	1,861,629	1,861,629	2,404,891	543,262
Fines & Forfeitures	430,000	430,000	621,322	191,322
Other	129,120	129,120	37,501	(91,619)
Interest	45,000	45,000	116,467	71,467
Total revenues	18,672,104	18,321,369	19,366,832	1,045,463
Expenditures:				
Salaries and benefits	14,969,998	14,969,998	13,660,805	1,309,193
Services and supplies	6,493,742	6,493,742	5,236,263	1,257,479
Capital expenditures	881,800	881,800	200,510	681,290
Total expenditures	22,345,540	22,345,540	19,097,578	3,247,962
Excess /(deficiency) of revenues over(under) expenditures	$ (3,673,436)	$ (4,024,171)	$ 269,254	$ 4,293,425

See accompanying notes to required supplementary information.

Schedule of Revenues, Expenditures and Changes in Fund balances Emissions Technology Fund - Budget and Actual

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the emission technology fund.

Revenues:	Original	Amended & Final	Actual Amounts	Variance with Amended Budget Favorable (Unfavorable)
DMV surcharge	$ 2,402,846	$ 2,402,846	$ 2,326,442	$ (76,404)
Local government aid	-		-	-
State	19,936,080	11,887,398	10,166,667	(1,720,731)
Federal grants	3,300,000	60,000	214,979	154,979
Interest	35,000	35,000	229,534	194,534
Total revenues	25,673,926	14,385,244	12,937,622	(1,447,622)
Expenditures:				
Services and supplies	25,477,198	14,188,516	5,122,293	9,066,223
Excess /(deficiency) of revenues over(under) expenditures	$ 196,728	$ 196,728	$ 7,815,329	$ 7,618,601

Schedule of Changes in the Net OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service cost	$127,662
Interest	151,691
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	
Benefit payments, including refunds of member contributions	(87,179)
Net change in total OPEB liability	192,174
Total OPEB liability – beginning	2,444,108
Total OPEB liability – ending (a)	$2,636,282
Plan fiduciary net position	
Contributions – employer	246,101
Net investment income	64,728
Benefit payments, including refunds of member contributions	(87,179)
Administrative expense	(822)
Net change in plan fiduciary net position	222,828
Plan fiduciary net position – beginning	1,580,888
Plan fiduciary net position – ending (b)	$1,803,716
District's net OPEB liability – ending (a) – (b)	$832,566
Plan fiduciary net position as a percentage of the total OPEB liability	68.4%
Covered-employee payroll	$9,356,084
District's net OPEB liability as a percentage of covered-employee payroll	8.9%

*Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Contributions

	2018
Actuarially determined contribution	$221,719
Contributions in relation to the actuarially required contribution	$(246,101)
Contribution deficiency (excess)	$(24,382)
Covered-employee payroll	$9,356,084
Contributions as a percentage of covered-employee payroll	2.63%

*Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Proportionate Share of the Net Pension Liability

CalPERS Miscellaneous 2% @ 55	June 30, 2014[1]	June 30, 2015[1]	June 30, 2016[1]	June 30, 2017
Proportion of the net pension liability	0.104300%	0.238134%	0.245356%	0.255212%
Proportionate share of the net pension liability (asset)	$6,489,889	$6,533,370	$8,524,599	$10,060,590
Covered-employee payroll[2]	$8,908,245	$10,332,821	$9,422,478	$9,282,500
Proportionate Share of the net pension liability as percentage of covered-employee payroll	72.85%	63.23%	90.47%	108.38%
Plans fiduciary net position as a percentage of the total pension liability	79.90%	79.89%	75.87%	75.39%
Proportionate share of aggregate employer contributions[3, 4]	$697,733	$762,567	$1,257,850	$1,286,471

CalPERS Miscellaneous 2% @ 62	June 30, 2014[1]	June 30, 2015[1]	June 30, 2016[1]	June 30, 2017[1]
Proportion of the net pension liability	0.00000%	0.00008%	0.00000%	0.00000%
Proportionate share of the net pension liability (asset)	$ -	$(230)	$ -	$ -
Covered-employee payroll[2]	-	-	-	-
Proportionate Share of the net pension liability as percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plans fiduciary net position as a percentage of the total pension liability	0.00%[5]	79.89%	75.87%	75.39%
Proportionate share of aggregate employer contributions[3, 4]	$ -	$297	$ -	$ -

[1]Historical information is required only for measurement periods for which GASB 68 is applicable.

[2]Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

[3]The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

[4]This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

[5]Information for the 2% @ 62 plan not readily available to the entity. Figure presented here at June 30, 2017 is for the Miscellaneous Risk Pool as a whole.

Schedule of Pension Contributions

CalPERS Miscellaneous 2% @ 55	Fiscal Year 2013-14[1]	Fiscal Year 2014-15[1]	Fiscal Year 2015-16[1]	Fiscal Year 2016-17
Actuarially Determined Contribution[2]	$1,066,362	$1,190,341	$1,132,308	$1,354,429
Contributions in relation to the actuarially determined contributions	1,068,331	1,190,341	1,257,850	1,286,471
Contribution deficiency (excess)	$(1,969)	$ -	$(125,542)	$67,958
Covered-employee payroll[3]	$8,908,246	$10,332,821	$9,422,478	9,282,500
Contributions as a percentage of covered-employee payroll[3]	11.990%	11.520%	12.017%	14.591%

CalPERS Miscellaneous 2% @ 62	Fiscal Year 2013-14[1]	Fiscal Year 2014-15[1]	Fiscal Year 2015-16[1]	Fiscal Year 2016-17
Actuarially Determined Contribution[2]	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$-
Covered-employee payroll[3]	$ -	$ -	$ -	
Contributions as a percentage of covered-employee payroll[3]	0.000%	6.250%	6.250%	

[1]Historical information is required only for measurement periods for which GASB 68 is applicable.

[2]Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

[3]Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Required Supplementary Information

1. Budgetary Comparison Schedule

District employs budget control by object level coded and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Expenditures cannot legally exceed appropriations by major object code. Expenditures cannot legally exceed appropriations by major object code.

2. Schedule of Changes in the Net OPEB Liability and Related Ratios

Benefit changes. The plan did not have any changes to benefits.

Changes of assumption. There were no changes to assumptions.

3. Schedule of the District's Contributions

Valuation date: 2017

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (EAN) cost method
Amortization method	Level of percentage of pay
Amortization period	15 year
Asset valuation method	Market value
Inflation	2.75% per annum
Healthcare cost trend rates	6.50% for HMO and PPO for 2018, decreasing 0.5 % per year to an ultimate rate of 5.0% for HMO for 2020 and later years and for PP for 2019 and later years
Salary increases	3.0% per annum, in aggregate
Investment rate of return	6.0% per annum
Retirement age	Miscellaneous Tier 1: 2.0% @55; Miscellaneous Tier 2: 2.0% at 62
Mortality	Pre- and post-retirement mortality probability applicable to Miscellaneous employees and industrial disabled retirees based on CalPERS' mos recent experience study

4. Schedule of Proportionate Share of Net Pension Liability

There were no changes in assumptions

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

5. Schedule of Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Valuation Date	June 30. 2016
Measurement Date	June 30. 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	275%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.00%
Mortality	Derived using CalPERS' Membership for All Funds

(1) Compounded annually, net of administrative and investment expenses

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards

	SMAQMD Fund	Grant #	Federal CFDA Number	Total Expenditures
U.S Environmental Protection Agency				
Air Pollution Control	570A	A 00903118	66.001	$1,393,128
Surveys, Studies, Investigations, etc. 4/1/2016 - 03/31/2018	570A	PM 00T61201	66.034	71,297
U.S. Highway Planning and Construction				
Highway Planning and Construction	570A	CML 6236	20.205	
Spare The Air Year 11				400,742
Spare The Air Year 12				198,960
SEACT Phase III				397,848
Total CMAQ Grants				997,550
Total Grants Revenues & Expenditures				$2,461,975

Note: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sacramento Metropolitan Air Quality Management District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Sacramento Metropolitan Air Quality Management District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INDEPENDENT AUDITOR'S REPORTS

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities the business-type activities, each major fund, and the aggregate remaining fund information of Sacramento Metropolitan Air Quality Management District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Sacramento Metropolitan Air Quality Management District's basic financial statements, and have issued our report thereon dated [date].

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements of Sacramento Metropolitan Air Quality Management District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered Sacramento Metropolitan Air Quality Management District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Sacramento Metropolitan Air Quality Management District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento Metropolitan Air Quality Management District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 16, 2018

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Sacramento Metropolitan Air Quality Management District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 16, 2018

FINDINGS AND RECOMMNDATIONS SECTION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:				
Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified?	____	Yes	X	None reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified?	____	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 516(a)?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	X	Yes	____	No

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV—STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2018

Findings and Recommendation	Current Status	Explanation If Not Implemented
None	N/A	N/A

STATISTICAL SECTION

STATISTICAL SECTION OVERVIEW

This part of the comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends

The following schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time:

Schedule 1 – Net Position by Component – Last Ten Fiscal Years

Schedule 2 – Changes in Net Position – Last Ten Fiscal Years

Schedule 3 – Fund Balances of Government Funds – Last Ten Fiscal Years

Schedule 4 – Changes in Fund Balances of Government Funds – Last Ten Fiscal Years

Schedule 5 – General Government Expenditures by Major Object – Last Ten Fiscal Years

Schedule 6 – General Government Expenditures by Functions – Last Ten Fiscal Years

Revenue Capacity

The following schedules present information to help the reader assess the District's own source revenue, permits and fees**:**

Schedule 7 – General Government Revenues by Source – Last Ten Fiscal Years

Schedule 8 – Own Source Government Revenue – Last Ten Fiscal Years

Operating Information

The following schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs:

Schedule 9 – Demographic Information – Last Ten Years

Schedule 10 – DMV Registrations (Autos & Trucks) – Last Ten Years

Schedule 11 – Principal Employers – Current Year and Ten Years Ago

Schedule E 12 – District Staff Position List – Last Ten Fiscal Years

Schedule 13 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

Schedule 14 – Capital Assets by Function/Program – Last Ten Fiscal Years

SCHEDULE 1 – Net Position by Component – Last Ten Fiscal Years (accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Investment in capital assets, net of related debt	$ 594,518	$ 447,263	$ 327,593	$ 507,625	$ 653,680	$ 764,943	$ 792,677	$ 1,111,788	$ 1,196,123	$ 1,170,111
Restricted	16,840,972	20,451,561	20,834,838	20,864,065	19,018,128	18,732,929	14,705,749	19,374,392	18,788,183	23,692,209
Unrestricted	1,142,535	946,120	-	-	-	792,734	(900,807)	(157,287)	605,026	933,118
Total governmental activities net position	18,578,025	21,844,944	21,162,431	21,371,690	19,671,808	20,290,606	14,597,619	20,328,893	20,589,332	25,795,438
Business-type Activities										
Investment in capital assets, net of related debt	85,216	142,689	438,929	403,041	113,259	93,109	232,801	613,133	820,602	984,226
Restricted	431,776	427,031	433,754	424,243	416,252	416,293	418,340	416,382	416,575	420,495
Unrestricted	802,936	990,954	762,937	909,129	1,094,081	1,274,390	1,331,412	1,190,967	1,142,715	1,575,033
Total business-type activities net position	1,319,928	1,560,674	1,635,620	1,736,413	1,623,592	1,783,792	1,982,553	2,220,482	2,379,892	2,979,754
Primary government										
Net investment in capital assets	679,734	589,952	766,522	910,666	766,939	858,052	1,025,478	1,724,921	2,016,725	2,154,337
Restricted	17,272,748	20,878,592	21,268,592	21,288,308	19,434,380	19,149,222	15,124,089	19,790,774	19,204,758	24,112,704
Unrestricted	1,945,471	1,937,074	762,937	909,129	1,094,081	2,067,124	430,605	1,033,680	1,747,741	2,508,151
Total primary government net position	$19,897,953	$23,405,618	$22,798,051	$23,108,103	$21,295,400	$22,074,398	$16,580,172	$22,549,375	$22,969,224	$28,775,192

SCHEDULE 2 - Changes in Net Position – Last Ten Fiscal Years (accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Stationary source activities	$ 8,954,634	$ 6,132,920	$ 5,823,570	$ 5,864,304	$ 5,739,977	$ 5,747,748	$ 5,918,050	$ 6,162,041	$ 6,222,368	$ 7,496,314
Mobile source activities	11,652,160	13,096,491	12,207,979	34,715,045	28,384,959	11,478,921	14,884,085	11,207,276	11,561,366	8,427,228
Program coordination activities	4,581,824	4,346,725	4,286,273	3,973,143	3,768,674	3,836,739	3,883,548	4,359,691	4,381,093	4,901,319
Strategic planning activities	3,909,988	4,048,968	3,548,148	3,650,376	3,677,908	3,772,415	3,877,953	4,380,829	3,937,606	5,183,744
Depreciation expense-unallocated	149,067	165,753	140,459	125,386	144,940	148,389	211,551	209,891	237,940	226,521
Total governmental activities	$29,247,673	$27,790,857	$26,006,429	$48,328,254	$41,716,458	$24,984,212	$28,775,187	$26,319,728	$26,340,373	$26,235,126
Business-type activities										
Building operations and obligations	$ 779,943	$ 739,766	$ 760,079	$ 959,018	$ 650,968	$ 641,654	$ 697,804	$ 715,125	$ 877,284	$ 454,367
Total primary government expenses	$30,027,616	$28,530,623	$26,766,508	$49,287,272	$42,367,426	$25,625,866	$29,472,991	$27,034,853	$27,217,657	$26,689,493
Program Revenues										
Governmental Activities										
Charges for services										
Stationary source activities	$ 4,868,387	$ 4,857,740	$ 5,297,300	$ 4,912,279	$ 5,431,158	$ 5,867,492	$ 6,440,801	$ 6,692,235	$ 7,235,968	$ 8,140,016
Mobile source activities		561,345	532,447	703,135	824,850	996,018	106,376	153,178	156,288	155,097
Program coordination activities	136,336	136,552	84,794	84,408	96,170	68,314	265,185	89,163	60,341	154,767
Strategic planning activities	-	40,207	567,305	470,716	40,839	408,808	140,712	242,084	310,430	315,248
Operating grants and contributions										
Stationary source activities	3,875,126	764,839	336,324	519,136	401,685	-	-	-	-	-
Mobile source activities	10,721,789	15,088,024	10,355,463	32,815,391	24,933,316	9,141,087	13,910,787	15,076,802	8,932,391	13,690,540
Program coordination activities	1,538,889	1,985,190	1,086,075	1,274,400	926,954	1,446,883	1,442,936	1,438,170	1,438,170	1,596,487
Strategic planning activities	964,812	969,308	607,520	625,227	794,100	643,422	643,422	643,422	643,422	643,422
Total governmental activities	$22,105,339	$24,403,205	$18,867,228	$41,404,692	$33,449,072	$18,572,024	$22,950,219	$24,335,054	$18,777,010	$24,695,577
Business-type activities										
Building operations and obligations	$ 943,695	$ 948,942	$ 807,106	$ 884,688	$ 748,642	$ 795,771	$ 888,592	$ 943,891	$ 1,018,795	$ 1,025,568
Total primary government program revenues	$23,049,034	$25,352,147	$19,674,334	$42,289,380	$34,197,714	$19,367,795	$23,838,811	$25,278,945	$19,795,805	$25,721,145
Net (Expense) Revenue										
Government activities	$ (7,142,334)	$ (3,387,652)	$ (7,139,201)	$ (6,923,562)	$ (8,267,386)	$ (6,412,188)	$ (5,824,968)	$ (1,984,674)	$ (7,563,363)	$ (1,539,549)
Business-type activities	163,752	209,176	47,027	(74,330)	97,674	154,117	190,788	228,766	141,511	571,201
Total primary government net (expenses) revenue	$ (6,978,582)	$ (3,178,476)	$ (7,092,174)	$ (6,997,892)	$ (8,169,712)	$ (6,258,071)	$ (5,634,180)	$ (1,755,908)	$ (7,421,852)	$ (968,348)
General revenues										
Governmental activities										
Grants and subventions	$ 8,324,288	$ 5,684,433	$ 5,696,646	$ 6,216,082	$ 6,056,461	$ 6,614,984	$ 6,808,183	$ 7,087,643	$ 7,347,831	$ 6,995,834
Interest	515,419	268,262	230,368	204,424	64,378	18,965	25,241	5,438	81,700	116,467
Gain on sale of capital assets							16,270	-	-	-
Penalties/Settlements	977,533	701,876	529,674	712,315	446,663	397,037	569,708	622,868	394,272	496,575
Transfers	(456,966)	-	-	-	-	-	-	-	-	-
Total governmental activities	$ 9,360,274	$ 6,654,571	$ 6,456,688	$ 7,132,821	$ 6,567,502	$ 7,030,986	$ 7,419,402	$ 7,715,949	$ 7,823,803	$ 7,608,876
Business-type activities										
Interest	$ 40,075	$ 31,570	$ 27,919	$ 175,123	$ 10,268	$ 6,083	$ 7,973	$ 9,163	$ 17,899	$ 28,661
Transfers	456,966	-	-	-	-	-	-	-	-	-
Total business-type activities	497,041	31,570	27,919	175,123	10,268	6,083	7,973	9,163	17,899	28,661
Total Primary government revenue	$ 9,857,315	$ 6,686,141	$ 6,484,607	$ 7,307,944	$ 6,577,770	$ 7,037,069	$ 7,427,375	$ 7,725,112	$ 7,841,702	$ 7,637,537
Change in net position										
Government activities	$ 2,217,940	$ 3,266,919	$ (682,513)	$ 209,259	$ (1,699,884)	$ 618,798	$ 1,594,434	$ 5,731,275	$ 260,439	$ 6,069,327
Business-type activities	660,793	240,746	74,946	100,793	107,942	160,200	198,761	237,929	159,410	599,862
Total Primary government	$ 2,878,733	$ 3,507,665	$ (607,567)	$ 310,052	$ (1,591,942)	$ 778,998	$ 1,793,195	$ 5,969,204	$ 419,849	$ 6,669,189

SCHEDULE 3 – Fund Balances of Government Funds – Last Ten Fiscal Years (modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ 155,110	$ 171,675	$ 190,202	$ 402,380
Restricted	9,789,530	2,858,052	12,144,152	12,169,654	11,350,172	10,998,388	10,287,274	8,796,696	8,061,391	7,811,623
Assigned	320,000	2,407,273	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000
Unrestricted	8,666,336	7,906,636	-	-	-	792,734	1,395,878	1,798,521	1,737,137	2,043,980
Total General Fund	$ 18,775,866	$ 13,171,961	$ 12,464,152	$ 12,489,654	$ 11,670,172	$ 12,111,122	$ 12,158,262	$ 11,086,892	$ 10,308,730	$ 10,577,983
Emission Technology Fund										
Restricted	$ -	$ 9,064,562	$ 9,211,835	$ 9,267,343	$ 8,194,251	$ 8,277,548	$ 9,549,952	$ 15,185,241	$ 14,623,422	$ 22,438,751
Total Emission Technology Fund	$ -	$ 9,064,562	$ 9,211,835	$ 9,267,343	$ 8,194,251	$ 8,277,548	$ 9,549,952	$ 15,185,241	$ 14,623,422	$ 22,438,751

SCHEDULE 4 – Changes in Fund Balances of Government Funds – Last Ten Fiscal Years (modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES											
Taxes	$ 9,069,286	$ 9,471,327	$ 8,025,308	$ 7,451,650	$ 8,071,327	$ 7,929,307	$ 8,334,914	$ 8,533,576	$ 8,990,702	$ 9,141,145	$ 9,185,904
Intergovermental	7,754,619	13,564,665	16,058,522	11,162,826	34,081,710	25,879,092	10,507,331	14,342,930	15,445,047	9,232,418	13,718,592
Licenses/Permits	6,405,970	8,371,169	6,705,683	6,479,071	6,180,051	6,015,064	6,741,800	7,416,470	7,646,441	8,001,079	8,395,134
Use of Money/Property	1,086,702	515,419	268,262	230,368	204,424	193,112	18,965	60,372	(31,188)	226,170	1,004,824
Total Revenue	$ 24,316,577	$ 31,922,580	$ 31,057,775	$ 25,323,915	$ 48,537,512	$ 40,016,575	$ 25,603,010	$ 30,353,348	$ 32,051,002	$ 26,600,812	$ 32,304,454
EXPENDITURES											
Current:											
Stationary Sources	$ 5,122,449	$ 8,944,106	$ 6,114,436	$ 5,822,646	$ 5,843,577	$ 5,758,644	$ 5,741,059	$ 6,016,226	$ 6,501,339	$ 6,799,202	$ 6,725,548
Mobile Source	11,261,327	11,647,191	13,088,034	12,207,527	34,704,891	28,394,103	11,475,645	14,932,141	11,367,756	11,916,194	8,048,476
Program coordination	3,474,737	4,575,926	4,334,342	4,285,664	3,959,488	3,780,971	3,832,332	3,943,621	4,571,752	4,734,782	4,384,116
Strategic Planning	3,695,608	3,906,272	4,041,810	3,547,825	3,643,128	3,684,435	3,770,076	3,918,802	4,517,235	4,168,340	4,861,221
Capital Outlay	226,666	119,082	18,498	20,789	305,418	290,995	259,652	239,283	529,002	322,275	200,510
Total Expenditures	$ 23,780,787	$ 29,192,577	$ 27,597,120	$ 25,884,451	$ 48,456,502	$ 41,909,148	$ 25,078,764	$ 29,050,073	$ 27,487,084	$ 27,940,793	$ 24,219,871
Excess (Deficiency) of Revenue over Expenditures	$ 535,790	$ 2,730,003	$ 3,460,655	$ (560,536)	$ 81,010	$ (1,892,573)	$ 524,246	$ 1,303,275	$ 4,563,918	$ (1,339,981)	$ 8,084,583
OTHER FINANCING SOURCES (USES)											
Transfer Out	-	456,966	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-	-	16,270	-	-	-
Net change in fund balances	$ 535,790	$ 2,273,037	$ 3,460,655	$ (560,536)	$ 81,010	$ (1,892,573)	$ 524,246	$ 1,319,545	$ 4,563,918	$ (1,339,981)	$ 8,084,583

SCHEDULE 5 – General Government Expenditures by Major Object – Last Ten Fiscal Years (Budgetary Basis)

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/Fixed Assets	Interfund Charges	Contingency	Total
08-09	$ 12,183,771	$ 13,507,796	$ 110,400	$ 5,142,528	$ 450,000	$ 31,394,495
09-10	$ 12,199,760	$ 8,128,192	$ 38,000	$ 3,851,831	$ -	$ 24,217,783
10-11	$ 11,584,777	$ 6,425,969	$ 43,500	$ 1,407,642	$ -	$ 19,461,888
11-12	$ 11,946,558	$ 6,619,728	$ 317,000	$ 704,652	$ -	$ 19,587,938
12-13	$ 11,997,789	$ 5,552,842	$ 397,000	$ 679,789	$ -	$ 18,627,420
13-14	$ 12,472,301	$ 5,132,405	$ 180,532	$ 806,871	$ -	$ 18,592,109
14-15	$ 13,018,613	$ 5,670,628	$ 564,532	$ 1,071,655	$ -	$ 20,325,428
15-16	$ 13,396,624	$ 6,807,818	$ 768,332	$ 806,573	$ -	$ 21,779,347
16-17	$ 13,898,555	$ 6,520,859	$ 1,747,000	$ 806,573	$ -	$ 22,972,987
17-18	$ 13,660,805	$ 10,507,418	$ 197,370	$ -	$ -	$ 24,365,593

The budgeted expenditures represent the adopted budget adjusted for Board approved modifications based on new or modified expenditures.

SCHEDULE 6 – General Government Expenditures by Function – Last Ten Fiscal Years

Fiscal Year	Salaries & Benefits	Services & Supplies	Payments to Governments	Interfund Charges	Capital Outlay	Total
08-09	11,328,021	17,671,068	-	456,966	119,082	29,575,137
09-10	11,619,250	16,383,724	-	(424,353)	18,498	27,597,119
10-11	11,456,352	14,506,789	-	783,157	20,789	26,767,087
11-12	11,527,097	36,623,987	-	-	305,418	48,456,502
12-13	11,817,905	29,800,249	-	-	290,995	41,909,149
13-14	12,011,320	12,807,792	-	-	259,652	25,078,764
14-15	12,112,938	16,697,852	-	-	239,283	29,050,073
15-16	12,959,077	13,999,009	-	-	529,002	27,487,088
16-17	13,898,555	6,520,859	-	-	1,747,000	22,166,414
17-18	13,660,805	10,507,418	-	-	197,370	24,365,593

SCHEDULE 7 – General Government Revenues by Source – Last Ten Fiscal Years

Fiscal Year	Taxes	Intergovernmental	Licenses/ Permits	Use of Money & Property	Increase in Fair Value of Investments	Misc	Total
08-09	9,471,327	13,564,665	8,371,169	515,419	-	-	31,922,580
09-10	5,810,923	3,653,527	6,705,683	116,135	-	-	16,286,268
10-11	5,498,449	3,998,568	6,479,071	59,403	-	-	16,035,491
11-12	5,940,636	4,289,423	6,180,051	44,337	-	-	16,454,447
12-13	5,862,442	3,637,602	6,015,064	64,380	-	-	15,579,488
13-14	6,095,314	4,082,326	6,741,800	9,934	-	-	16,929,374
14-15	6,283,412	3,516,824	7,416,470	25,241	-	-	17,241,947
15-16	6,609,429	3,739,523	7,779,365	5,438	-	-	18,133,755
16-17	6,764,376	3,437,689	8,001,079	81,700	-	-	18,284,844
17-18	6,859,462	3,338,507	9,062,708	153,683	-	-	19,414,360

SCHEDULE 8 – Own Source Government Revenue – Last Ten Fiscal Years

Year	Active Permits**	Actual Revenue***
2009	4,183	3,345,143
2010	4,242	3,501,857
2011	4,238	4,366,411
2012	4,247	4,224,561
2013	4,269	4,419,326
2014	4,331	4,754,372
2015	4,346	4,767,562
2016	4,344	5,136,508
2017	4,397	5,519,271
2018	4,411	6,185,455

SCHEDULE 9 – Demographic Information – Last Ten Years

Year	County Population (January 1)	County Total Personal Income	County Per Capita Income	County Unemployment Rate
2009	1,408,601	54,434,987	38,647	12.00%
2010	1,422,316	55,176,682	38,794	12.70%
2011	1,436,262	57,996,392	40,380	12.60%
2012	1,450,121	60,668,975	41,837	10.90%
2013	1,462,338	61,654,190	42,162	8.90%
2014	1,481,474	65,391,250	44,139	7.30%
2015	1,501,335	69,870,482	46,539	6.00%
2016	1,514,460	84,790,072	55,987	5.20%
2017	1,530,615	88,024,138	57,509	4.80%
2018	(1)	(1)	(1)	(1)

(1) Data not available

SCHEDULE 10 – DMV Registrations – Last Ten Years

Year	Vehicles Registered (As of December 31)
2009	1,159,910
2010	1,157,341
2011	1,141,979
2012	1,142,212
2013	1,179,656
2014	1,208,025
2015	1,274,248
2016	1,313,152
2017	1,300,939
2018	(1)

(1) Data not available

SCHEDULE 11 – Principal Employers – Current Year and Ten Years Ago

	2007			2018		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	689,900	1	73.6%	732,200	1	74.5%
State Government	110,700	2	11.8%	119,800	2	12.2%
Local Government	115,700	3	12.3%	106,500	3	10.8%
Federal Government	12,400	4	1.3%	14,400	4	1.5%
Farm	9,000	5	1.0%	10,000	5	1.0%
Total All Industries	937,700		100%	982,900		100%

SCHEDULE 12 – District Staff Position List – Last Ten Fiscal Years

Full-Time Equivalent Employees as of June 30

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Classification:										
Accountant I/II	1.0	1.0	1.0	-	-	-	-	-	-	-
Administrative Assistant I/II	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-
Administrative/Legal Analyst	1.0	1.0	-	-	-	-	-	-	-	-
Administrative Specialist I/II	-		-	-	-	-	-	-	-	2.0
Administrative Supervisor/Clerk of the Board	-	-	-	-	-	-	-	-	-	1.0
Air Pollution Control Officer /Executive Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Air Quality Engineer	21.5	21.5	21.5	20.5	19.5	19.5	19.5	20.5	20.5	20.5
Air Quality Instrument Specialist I/II	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Air Quality Planner/Analyst	11.0	12.0	11.0	10.0	10.0	10.0	10.0	11.0	11.0	11.0
Air Quality Specialist	21.5	20.6	18.6	18.6	18.6	18.6	18.6	18.6	18.6	19.6
Assistant to the Air Pollution Control Officer	-	-	-	-	-	-	-	-	-	1.0
Communications & Marketing Specialist	2.9	2.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Clerical Services Supervisor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-
District Accountant/Controller	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
District Counsel	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
District Counsel Legal Assistant	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-
Division Manager	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
Executive Assistant/Clerk to the Board	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-
Financial Analyst	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fiscal Assistant I/II	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human Resources Officer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human Resource Technician I/II	-	-	-	-	-	-	-	-	-	2.0
Information Systems Administrator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Information Systems Analyst	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information Systems Manager	-	-	-	-	-	-	-	-	1.0	1.0
Legal Assistant I/II	-	-	-	-	-	-	-	-	-	1.0
Office Assistant I/II	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Human Resource Assistant I/II	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-
Program Coordinator	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	-
Program Manager	-	-	-	-	-	-	-	-	-	5.0
Program Supervisor	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	12.0
Senior Accountant	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Statistician	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Funded Positions	103.9	104.0	99.0	94.0	93.0	93.0	94.0	96.0	96.0	97.0
Positions Unfunded										
Administrative/Legal Analyst	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Air Quality Planner/Analyst	-	-	-	1.0	1.0	1.0	1.0	-	-	-
Air Quality Specialist	-	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Air Quality Engineer	-	-	-	1.0	2.0	2.0	2.0	1.0	1.0	1.0
Division Manager	-	-	-	1.0	1.0	1.0	-	-	-	-
Office Assistant I/II	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Program Coordinator	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	-
Program Supervisior	-	-	-	-	-	-	-	-	-	1.0
Total Positions Unfunded	-	1.0	3.0	8.0	9.0	9.0	8.0	6.0	6.0	5.0
Total Funded + Unfunded	103.9	105.0	102.0	102.0	102.0	102.0	102.0	102.0	102.0	102.0

Note: Funded positions may vary from budget due to changes in staffing during the fiscal year.

SCHEDULE 13 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

Fiscal Year	Certificate of Participation	Bond Premium	Total Primary Government	Total Debt as a Percentage of Sacramento County Personal Income (1)	Total Debt Per Capita for Sacramento County (1)
2009	4,790,000	42,760	4,832,760	9%	$ 3
2010	4,620,000	40,235	4,660,235	8%	$ 3
2011	4,445,000	37,941	4,482,941	8%	$ 3
2012	4,350,000	70,747	4,420,747	7%	$ 3
2013	4,350,000	65,840	4,415,840	7%	$ 3
2014	4,250,000	60,933	4,310,933	7%	$ 3
2015	3,980,000	56,026	4,036,026	6%	$ 3
2016	3,705,000	51,118	3,756,118	4%	$ 2
2017	3,420,000	46,210	3,466,210	4%	(2)
2018	3,125,000	41,305	3,166,305	(2)	(2)

(1) Data not available

SCHEDULE 14 – Capital Assets by Function/Program – Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Monitoring Air Quality										
Number of air monitoring stations	9	9	10	10	10	11	11	11	9	9
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	76	76	76	75	77	89	89	88	82	82
Vehicles	-	-	-	-	19	19	19	23	23	23