

**SACRAMENTO METROPOLITAN AIR
QUALITY MANAGEMENT DISTRICT**

SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

**PREPARED BY:
FISCAL DIVISION**

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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INTRODUCTORY SECTION

January 14, 2013

Chairman, Governing Board and Citizens
Of the Sacramento Metropolitan Air Quality Management District

State law requires that local governments publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the Sacramento Metropolitan Air Quality Management District (the District), Sacramento, California. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by James Marta & Company, 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, 2012 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2012 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 independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are included in the Schedule of Expenditures of Federal Awards section.

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. It is one of 35 local or regional air quality districts in California. It has been designated by 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.

The District 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 Executive Officer and District Counsel.

In spite of a huge increase in population over the last two decades, the Sacramento region's air quality has continued to improve. Although we're still home to some of the worst air quality in the nation, progress has been made even as standards have tightened. Air quality in the SFNA currently does not meet the federal health standards for ozone and PM2.5 as well as the more stringent California standards for ozone and particulate matter (PM10 and PM2.5).

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 Sacramento region has relatively few "smokestack" industries compared to the Bay Area and Southern California. Even if we were to shut down all of these stationary sources, it's unlikely that we could meet air quality standards, particularly the tougher state standards.

Mobile sources include the cars and trucks we drive, delivery vehicles and big rigs. It also includes "off-road" sources, such as construction, mining, and agricultural equipment. In 2012, these mobile sources are estimated to contribute about 53% of our Volatile Organic Compounds (VOC) and 84% of our Oxides of Nitrogen (NOx) emissions, while stationary (industrial) sources contribute about 17% of our VOC emissions and 12% of our NOx 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 is responsible for monitoring air pollution within the Basin and for developing and administering programs to reduce air pollution levels below the health-based standards established by the state and federal governments.

The annual budget serves as the foundation for the District's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. Budgets are 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. The District maintains an accounting system of purchase requests and contracts at the fund level as a means to accomplishing budgetary control.

Open requests and contracts are reported as a reservation of fund balance at the end of the fiscal year. Purchase requests and contracts are reviewed to ensure that funds are available and that requests are properly authorized prior to being released or executed.

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 General Fund does not receive property tax support. Approximately 31% of its funding is derived from fees paid by stationary sources that emit air pollution; 28% from auto registration fees collected by the Department of Motor Vehicles and distributed to air districts throughout the state in support of motor vehicle emission reduction programs; 26% from federal, local government and state subventions; 8% from sales tax; 4% from civil settlements; 2% from land use mitigation fees and the remainder from other earnings.

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 does not recover its activity costs fully from fees, support in the form of state subvention, federal grants, and other revenues offset much of the shortfall.

In fiscal year 2011-12, the employer contribution rates to our pension system increased slightly due primarily to a smoothing of losses and gains introduced by CalPers. The stock market downturn will cause District contributions in the CalPers Retirement program to be increased over the next several years.

The current economic downturn has had some effect on the District funding stream. Currently the unemployment rate in Sacramento County is 10.2% down from a high of 13% in January 2010. As business activity and employment increases revenues from permits and fees are expected to increase. Anticipated sales tax revenues from Measure A are projected by the Sacramento Transportation Authority to increase 5% annually over the next five years. There is some uncertainty that funding streams from the State of California will continue at the same level pending the outcome of the State budget for the current fiscal year and the upcoming fiscal year.

To counter these potential negative impacts on the District funding stream, management has initiated a five-year financial program that has evaluated the potential internal, external and programmatic changes that can be implemented over the next fiscal year and beyond. This five year plan is reviewed and updated annually. The potential changes range from internal cost cutting enhancements to changes that will require state and federal legislative changes. All ideas are currently being evaluated and a plan will be recommended as part of the 2012-2013 budget.

Long-term Financial Planning

In April 2009 the accounting firm of KPMG conducted a fee study. The fee study determined that stationary source permit and fee revenue is insufficient to support the related program activities. The final fee study report indicated that a stationary source fee increase is overdue and should be presented to the Board. The District has taken steps to mitigate the “color of money” issue highlighted in the fee study. Annually District management reviews five year projections of revenue and expenditures. The current state and national economic situation will make near-term increases difficult, but it is important that a program be put in place looking out several years. Permit fees are adjusted for the consumer price index (CPI) to help keep pace with rising costs and needs to be implemented annually. Currently District staff is evaluating the need to increase fees over the next several years.

In fiscal year 2011-12 the District refunded the 2002 Certificates Of Participation (COP's), the 2002 were used to purchase the District office building, with 2012 COP's. This refunding will result in over \$300,000 in savings over the remaining term of the certificates.

The District plans to hold expenditures at current levels into the next several years. As the economy improves and District revenues increase the long term financial plans will be reevaluated. Of key importance will be an evaluation of District staffing which was restricted during the recession, and may need a slight increase to support the improving economic conditions. Any staff changes will be carefully reviewed and supported by increased revenues.

Major Initiatives

During the next year, the AQMD will continue to work toward meeting non-attainment goals for ozone. In the last year, we met the federal 1 hour ozone standard, and must continue to make progress and look for additional opportunities to meet the 2008 ozone health standard. Reducing ozone pollution will remain an important and core program of the District and region for many years. Moreover, the District recently attained the federal NAAQS for PM 2.5. While this was a significant challenge, controlling pollution from wood smoke on key days in the fall and winter is expected to continue to be an effective strategy to meet the new standard.

A major effort will continue with our local partners (cities, counties, SACOG) in responding to Climate Change as an issue, and specifically to regulatory and legislative changes that come our way. We are also working in partnership with other Air Districts through CAPCOA, with the Air Resources Board, and nationally with the National Association of Clean Air Agencies to ensure that local communities have the ability to shape their local response to climate change within the context of their local economic, structural and political framework. Moreover, it is important that state and federal agencies provide resources to local communities to help with inventories and planning to respond to this critical issue. The District must also ensure that climate change regulatory and incentive efforts are supportive of our long-term criteria pollutant mission and that public health is not adversely impacted by otherwise well-meaning global warming initiatives.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of our comprehensive annual financial report was made possible by the dedicated services of the accounting and management staff of the Administration Program. 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 push technology and improve operations to accomplish the District's mission of protecting public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.

Respectfully submitted,



Larry Greene

Executive Director



Michael Sinkevich CPA

District Accountant/Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Metropolitan
Air Quality Management District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

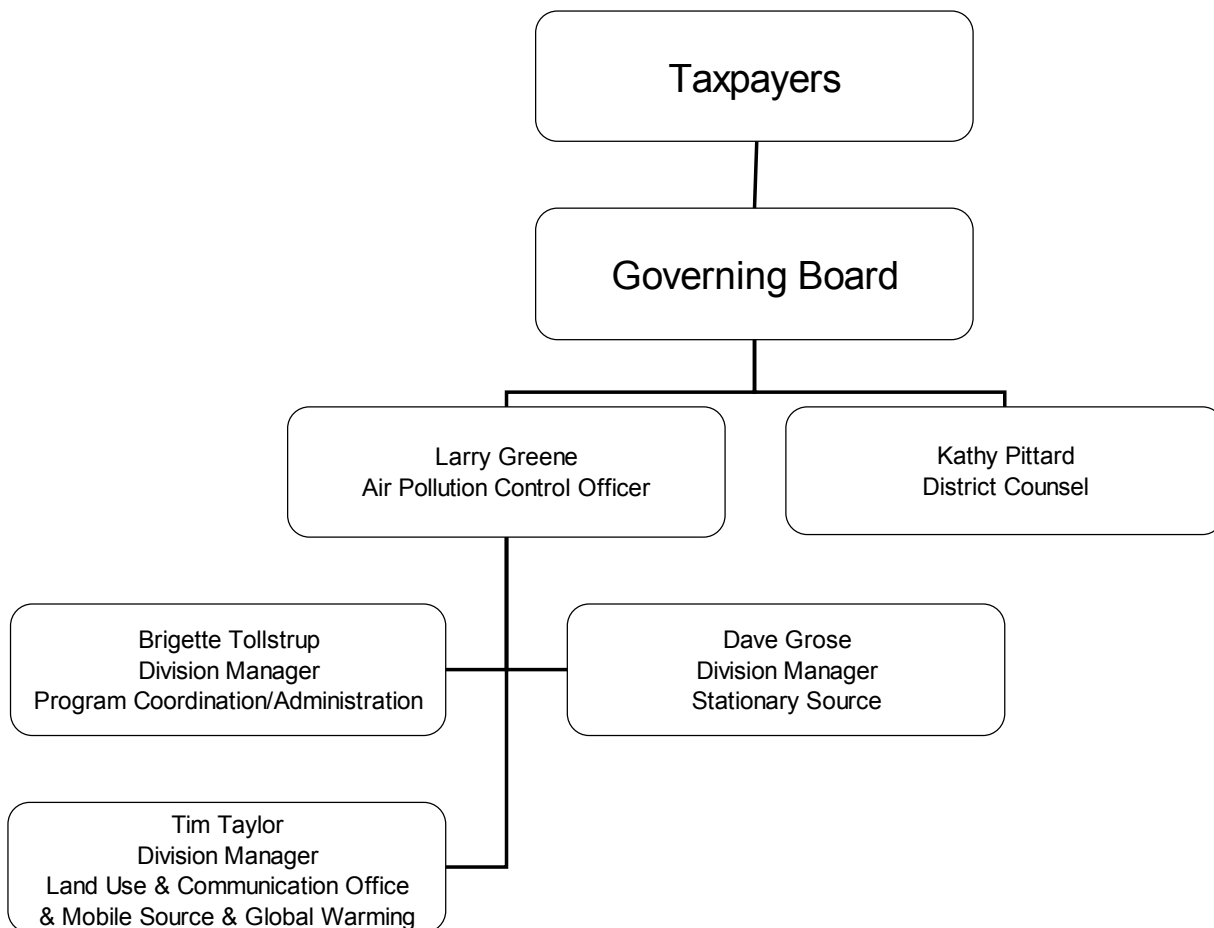
President

Jeffrey R. Egan

Executive Director

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

ORGANIZATIONAL CHART



SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

SACRAMENTO COUNTY BOARD OF SUPERVISORS

PHIL SERNA
CHAIR OF THE AQMD

JIMMIE YEE

SUSAN PETERS

ROBERTA MACGLASHAN

DON NOTTOLI

COUNCIL MEMBERS

STEVE COHN
CITY OF SACRAMENTO

DARRELL FONG
CITY OF SACRAMENTO

ROBERT KING FONG
CITY OF SACRAMENTO

SANDY SHEEDY
CITY OF SACRAMENTO

MEL TURNER
CITY OF CITRUS HEIGHTS

SOPHIA SCHERMAN
CITY OF ELK GROVE

JEFF STARSKY
CITY OF FOLSOM

BARBARA PAYNE
CITY OF GALT

ROBERT MCGARVEY
CITY OF RANCHO CORDOVA

EXECUTIVE DIRECTOR

LARRY GREENE

FINANCIAL SECTION



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California 95814

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the proprietary fund for Sacramento Metropolitan Air Quality Management District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sacramento Metropolitan Air Quality Management District's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the proprietary fund of the Sacramento Metropolitan Air Quality Management District as of June 30, 2012, and the respective changes in financial position and, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10), the budget to actual comparisons (pages 39-40) and the schedule of funding progress (page 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying "Schedule of Expenditures of Federal Awards" is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular *A-133, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "James Marta & Company". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
January 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

As management of the Sacramento Metropolitan Air Quality Management District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. Please read it in conjunction with the accompanying transmittal letter, the basic financials statements, and the accompanying notes to those financial statements.

A. Financial Highlights

- The assets of the District exceeded its liabilities by \$23,108,103 (*net assets*). Of this amount \$7,403,123 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased \$310,052 of which \$100,793 was from the Business-type activities and \$209,259 was from governmental activities. The increase from business-type activities was primarily from refunding the COP bonds originally used to purchase the District office building. An increase in Mobile Source subvention funding caused the governmental net assets to increase.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$21,756,997 an increase of \$81,010 over the prior year resulting from continued cost cutting measures and additional revenue from state subvention.
- During the 2012 fiscal year the District refunded the certificates of participation used to purchase the District office building. The refunding resulted in over \$300,000 of interest savings to the District over the remaining life of the certificates.

B. Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Basic Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Both of the government-wide financial statements distinguish functions of the District 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 governmental activities of the District include air pollution rule development and enforcement, public outreach, incentive programs, and various other air quality management activities. The business-type activities of the District include management and leasing of a building the District owns and occupies.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is 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 funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *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. Both the Governmental Funds 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*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16.

Proprietary fund

The District maintains a proprietary fund for the operation and maintenance of the headquarters building. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District's Proprietary Fund Financial Statements for the District's building and rental activities can be found on pages 17-19 of this report.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20-38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's final budget to actual comparison. Required supplementary information can be found on page 39-41.

C. Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$23,108,103 at the close of the most recent fiscal year. The schedule below presents a condensed Statement of Net Assets as of June 30, 2012 compared with the prior fiscal year.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT'S NET ASSETS
(in thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current and other assets	\$ 49,732	\$ 47,549	\$ 808	\$ 952	\$ 50,540	\$ 48,501
Capital Assets	328	508	5,355	5,248	5,683	5,756
Total Assets	<u>50,060</u>	<u>48,057</u>	<u>6,163</u>	<u>6,200</u>	<u>56,223</u>	<u>54,257</u>
Current liabilities	28,882	26,664	230	32	29,112	26,696
Non-current liabilities	15	22	4,298	4,432	4,313	4,454
Total Liabilities	<u>28,897</u>	<u>26,686</u>	<u>4,528</u>	<u>4,464</u>	<u>33,425</u>	<u>31,150</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	328	508	439	474	767	982
Restricted	12,199	13,434	434	424	12,633	13,858
Unrestricted	8,636	7,430	763	838	9,399	8,268
Total net assets	<u>\$ 21,163</u>	<u>\$ 21,372</u>	<u>\$ 1,636</u>	<u>\$ 1,736</u>	<u>\$ 22,799</u>	<u>\$ 23,108</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

By far the largest portion of the District's net assets (63%) represents resources that are subject to external restrictions on how they may be used. These funds are restricted to expenditures for specific purposes. Approximately 4% of the District's net assets reflect its investment in capital assets used by the District (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding.

The remaining portion of the District's net assets (33%) is unrestricted which may be used to meet the District's ongoing operations and obligations to creditors. At the end of the current fiscal year, the District is able to report positive balances for both categories of net assets, the government as a whole, as well as for its separate government and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$153,351 in Capital Assets, net of related debt for the business-type activities. This decrease is due to continuing depreciation of the office building and fixtures.

There was an increase of \$146,192 in the Unrestricted Net Assets for the business-type activities. This increase is due to mainly to the COP refunding which resulted in interest and principal savings.

The government's net assets increased by \$209,259 during the current fiscal year; the increase is a result of subvention grants in the Emission Technology fund.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Governmental Activities.

The following schedule shows revenues by major source, expenses by function and changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2012.

**Sacramento Metropolitan Air Quality Management District's Changes in Net Assets
(in thousands)**

	<u>Governmental</u>		<u>Business –Type</u>		<u>TOTAL</u>	
	<u>Activities</u>		<u>Activities</u>			
	2011	2012	2011	2012	2011	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,482	\$ 6,171	\$ 807	\$ 885	\$ 7,289	\$ 7,056
Operating Grants and Contributions	12,385	35,234	-	-	12,385	35,234
General Revenues:						
Grants subventions	5,697	6,216	-	-	5,697	6,216
Interest	230	204	28	175	258	379
Penalties/Settlements	530	712	-	-	530	712
Total Revenues	<u>25,324</u>	<u>48,537</u>	<u>835</u>	<u>1,060</u>	<u>26,159</u>	<u>49,597</u>
Expenses:						
Stationary Source activities	5,824	5,864	-	-	5,824	5,864
Mobile Source activities	12,208	34,715	-	-	12,208	34,715
Program Coordination activities	4,286	3,973	-	-	4,286	3,973
Strategic Planning activities	3,548	3,651	-	-	3,548	3,651
Building operations and obligations	-	-	760	793	760	793
Depreciation	141	125	-	166	141	291
Total Expenses	<u>26,007</u>	<u>48,328</u>	<u>760</u>	<u>959</u>	<u>26,767</u>	<u>49,287</u>
Increase (decrease) in Net Assets	(683)	209	75	101	(608)	310
Net Assets, Beginning	21,846	21,163	1,560	1,635	23,406	22,798
Net Assets, Ending	<u>\$ 21,163</u>	<u>\$ 21,372</u>	<u>\$ 1,635</u>	<u>\$ 1,736</u>	<u>\$ 22,798</u>	<u>\$ 23,108</u>

Business-type activities

Business-type activities increased the District's net assets by \$100,793. Key elements of this increase are as follows:

- Operating revenues from the building were \$884,688. This was a \$77,582 increase from the prior year due to lease negotiations completed in the prior year and a one-time decrease of \$150,000 in District rent in FY 2010/2011. Expenses increased \$169,953 over prior year from the write-off of underwriting costs associated with refunding the 2002 COP's.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

- Principal paid on the 2002 COP's was \$4,445,000. The new principal on the 2012 COP's is \$4,350,000. The COP refunding resulted in over \$300,000 net savings to the District. These savings will be taken up front thru reduced principal payments over the first two years on the new 2012 COP's.

D. 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 focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources and overall health. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$21,756,997 an increase of \$81,010 from the prior year. This increase is a result of increased subvention funding and savings from services and supplies. Approximately 61% of this total amount \$13,252,850 constitutes *restricted fund balance* and \$8,323,055 of *unassigned fund balance*.

Proprietary Funds

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary fund at the end of the year were \$909,129. The total growth in net assets was \$100,793. Other factors concerning the finances of the proprietary fund have already been addressed in the discussion of the District's business-type activities.

E. General Fund Budgetary Highlights

Over the course of the fiscal year, the District's budget was not amended.

For FY 2012, realized revenues were \$146,964 less than budgeted revenues, the main cause of this difference was a decrease of \$433,931 of realized permits and fees from budgeted. The District has various grants that are reimbursed as expended. If these grants are not expended in the current period they are carried forward. The District also receives incentive funds from various programs outside of state subventions.

Expenditures were \$3,158,993 less than budgeted. The District contracts with various outside entities to perform work outside the expertise of District staff. The majority of the difference from actual to budget is a result of savings in these contracts.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

F. Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2012 amounts to \$5,110,650 (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 \$317,898.

The increase in the capital assets reflects upgrades and maintenance to the District's monitoring stations, IT systems, and building.

Additional information on capital assets can be found in the Notes to the Financial Statements on page 29.

Long-term Debt

At the end of the current fiscal year, the District had outstanding certificates of participation secured by the District's office building. Total debt outstanding as of June 30, 2012 was \$4,350,000

Additional information on the District's long-term debt can be found in Note 7 to the Basic Financial Statements on pages 30-31 of this report.

G. Economic Factors and Next Year's Budgets and Rates

In FY 2012-13 the general revenue and expenditure budget showed a decrease of \$960,518 compared to the FY 2011-12 budget. Salaries and benefits increased \$51,231, net of miscellaneous salary savings and a 2% staff cola. Services and supplies decreased \$1,066,886 budget to budget. This decrease is from a continued effort to reduce costs and a reduction in the use of outside services.

Budgeted Emission technology revenues decreased \$14,473,268 budget to budget due to a decrease in state subvention revenues. The expenditures showed a decrease of \$18,074,845 as incentive contracts related to the state subventions were expended. Most of these funds are provided thru the state of California and are for incentive programs to reduce emissions from heavy-duty vehicles.

For the year ended June 30, 2012 there are no foreseeable economic or political conditions that would have a material effect on the financial position of the District. Although there has been a substantial economic downturn in Sacramento County, the District does not receive property tax monies and the sales tax monies received are only 6 percent of the total budget. Permits and fees are not projected to decrease materially.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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:

J. Michael Sinkevich, District Accountant/Controller
Sacramento Metropolitan Air Quality Management District
777-12th Street 3rd Floor, Sacramento, CA 95814.

BASIC FINANCIAL STATEMENTS

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 44,012,061	\$ 937,009	\$ 44,949,070
Receivables	3,452,659	13,022	3,465,681
Prepaid expenses	84,849	1,989	86,838
Total current assets:	<u>47,549,569</u>	<u>952,020</u>	<u>48,501,589</u>
Noncurrent assets:			
Deposits with others - certificates of participation reserves	-	424,243	424,243
Capital assets			
Land and other non-depreciable assets	-	1,086,652	1,086,652
Other capital assets - net of depreciation	507,625	3,516,373	4,023,998
Underwriting costs, net	-	220,763	220,763
Total noncurrent assets:	<u>507,625</u>	<u>5,248,031</u>	<u>5,755,656</u>
Total assets:	<u>48,057,194</u>	<u>6,200,051</u>	<u>54,257,245</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	1,953,427	31,352	1,984,779
Accrued wages and benefits payable	191,384	-	191,384
Deferred revenue	23,647,761	175	23,647,936
Compensated absences - due within one year	871,140	-	871,140
Total current liabilities:	<u>26,663,712</u>	<u>31,527</u>	<u>26,695,239</u>
Noncurrent liabilities:			
Deposits from others	-	11,364	11,364
Compensated absences - due in more than one year	21,792	-	21,792
Certificates of participation - due in more than one year	-	4,420,747	4,420,747
Total noncurrent liabilities:	<u>21,792</u>	<u>4,432,111</u>	<u>4,453,903</u>
Total liabilities:	<u>26,685,504</u>	<u>4,463,638</u>	<u>31,149,142</u>
<u>Net assets</u>			
Investment in capital assets, net of related debt	507,625	403,041	910,666
Restricted	13,433,942	424,243	13,858,185
Unrestricted	7,430,123	909,129	8,339,252
Total net assets:	<u>\$ 21,371,690</u>	<u>\$ 1,736,413</u>	<u>\$ 23,108,103</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government:						
Governmental activities:						
Stationary source activities	\$ 5,864,304	\$ 4,912,279	\$ 519,136	\$ (432,889)	\$ -	\$ (432,889)
Mobile source activities	34,715,045	703,135	32,815,391	(1,196,519)	-	(1,196,519)
Program coordination activities	3,973,143	84,408	1,274,400	(2,614,335)	-	(2,614,335)
Strategic planning activities	3,650,376	470,716	625,227	(2,554,433)	-	(2,554,433)
Depreciation expense - unallocated	125,386	-	-	(125,386)	-	(125,386)
Total governmental activities	48,328,254	6,170,538	35,234,154	(6,923,562)	-	(6,923,562)
Business-type activities:						
Building operations and obligations	959,018	884,688	-	-	(74,330)	(74,330)
Total primary government	<u>\$ 49,287,272</u>	<u>\$ 7,055,226</u>	<u>\$ 35,234,154</u>	<u>(6,923,562)</u>	<u>(74,330)</u>	<u>(6,997,892)</u>
General revenues:						
Grants and subventions - not restricted to specific programs				6,216,082	-	6,216,082
Interest				204,424	175,123	379,547
Penalties/settlements				712,315	-	712,315
Total general revenue				<u>7,132,821</u>	<u>175,123</u>	<u>7,307,944</u>
Change in net assets				209,259	100,793	310,052
Net assets - beginning balance				<u>21,162,431</u>	<u>1,635,620</u>	<u>22,798,051</u>
Net assets - ending balance				<u>\$ 21,371,690</u>	<u>\$ 1,736,413</u>	<u>\$ 23,108,103</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

ASSETS	<u>General Fund</u>	<u>Emission Technology</u>	<u>Total Governmental Funds</u>
Assets			
Cash and equivalents	\$ 11,720,175	\$ 32,291,886	\$ 44,012,061
Accounts receivable	1,903,867	1,548,792	3,452,659
Prepaid expenses	84,849	-	84,849
Total Assets	<u>\$ 13,708,891</u>	<u>\$ 33,840,678</u>	<u>\$ 47,549,569</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 588,015	\$ 925,573	\$ 1,513,588
Accrued wages and benefits payable	631,222	-	631,222
Deferred revenue	-	23,647,762	23,647,762
Total Liabilities	<u>1,219,237</u>	<u>24,573,335</u>	<u>25,792,572</u>
 Fund Balance			
Restricted for:			
Emission Technology incentives	-	9,267,343	9,267,343
Land Use Mitigation	2,515,011	-	2,515,011
Mobile Source/Air Monitoring	1,651,588	-	1,651,588
Assigned			
Mobile Source/Air Monitoring	7,661,251	-	7,661,251
Stationary Source	661,804	-	661,804
Total Fund Balance	<u>12,489,654</u>	<u>9,267,343</u>	<u>21,756,997</u>
 Total Liabilities and Fund Balance	 <u>\$ 13,708,891</u>	 <u>\$ 33,840,678</u>	 <u>\$ 47,549,569</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2012

Fund balances - total governmental funds	\$	21,756,997
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
 Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds activity. These capital assets are reported in the Statement of Net Assets as capital assets of the District as a whole.		
		507,625
 Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets.		
Compensated absences		(892,932)
Net assets of governmental activities:	\$	<u>21,371,690</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General fund	Emission Technology	Total Governmental Funds
Revenues:			
DMV surcharge	\$ 4,597,806	\$ 2,130,691	\$ 6,728,497
Sales/use tax	1,342,830	-	1,342,830
Permits and fees	6,180,051	-	6,180,051
Local government aid	352,802	350,000	702,802
State subvention	1,446,359	28,368,094	29,814,453
Federal grants	2,490,262	1,074,193	3,564,455
Interest	44,337	160,087	204,424
Total revenues	<u>16,454,447</u>	<u>32,083,065</u>	<u>48,537,512</u>
Expenditures:			
Stationary source activities	5,843,577	-	5,843,577
Mobile source activities	2,677,334	32,027,557	34,704,891
Program coordination activities	3,959,488	-	3,959,488
Strategic planning activities	3,643,128	-	3,643,128
Capital outlay	305,418	-	305,418
Total expenditures	<u>16,428,945</u>	<u>32,027,557</u>	<u>48,456,502</u>
Net change in fund balance	25,502	55,508	81,010
Fund balance, July 1, 2011	<u>12,464,152</u>	<u>9,211,835</u>	<u>21,675,987</u>
Fund balance, June 30, 2012	<u>\$ 12,489,654</u>	<u>\$ 9,267,343</u>	<u>\$ 21,756,997</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	81,010
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.		305,418
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. Therefore, depreciation expense is not reported as expenditures in governmental funds.		(125,386)
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.		(51,783)
Changes in net assets of governmental activities:	\$	209,259

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET ASSETS – PROPRIETARY FUND

JUNE 30, 2012

ASSETS

Current assets:	
Cash and cash equivalents	\$ 937,009
Receivables	13,022
Prepaid expenses	1,989
Total current assets:	<u>952,020</u>
Noncurrent assets:	
Restricted investments	424,243
Capital assets:	
Land and other non-depreciated assets	1,086,652
Other capital assets - net of depreciation	3,516,373
Underwriting costs, net	220,763
Total noncurrent assets:	<u>5,248,031</u>
Total assets:	<u>6,200,051</u>

LIABILITIES

Current liabilities:	
Accounts payable	31,352
Deferred revenue	175
Total current liabilities:	<u>31,527</u>
Noncurrent liabilities:	
Deposits from others	11,364
Certificate of participation, due in more than one year	4,420,747
Total noncurrent liabilities:	<u>4,432,111</u>
Total liabilities:	<u>4,463,638</u>

NET ASSETS

Invested in capital assets, net of related debt	403,041
Restricted for debt service	424,243
Unrestricted	909,129
Total net assets:	<u>\$ 1,736,413</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS – PROPRIETARY FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:

Rental income	\$	808,253
Parking income		<u>76,435</u>
Total operating revenues		<u>884,688</u>

Operating expenses:

Repairs and maintenance costs		142,997
Utilities, security and communications		84,615
Management fees		29,098
Parking lot operations		94,522
Depreciation expense		166,011
Amortization expense		170,418
Other expense		<u>6,115</u>
Total operating expenses		<u>693,776</u>

Operating income		<u>190,912</u>
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Nonoperating revenues and expenses:

Interest income		175,123
Interest expense		<u>(265,242)</u>
Net nonoperating revenues (expenses)		<u>(90,119)</u>

Changes in net assets		100,793
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Total net assets, July 1, 2011		<u>1,635,620</u>
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Total net assets, June 30, 2012	\$	<u>1,736,413</u>
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Cash flows from operating activities:</u>	
Cash received from rental activities	\$ 860,244
Cash paid for goods and services	(347,057)
Net Cash provided by operating activities	<u>513,187</u>
<u>Cash flows from capital and related financing activities:</u>	
Proceeds from COP refunding	4,350,000
Proceeds from premium paid on COP refunding	72,382
Principal paid on capital debt	(4,445,000)
Interest paid on long-term debt	(240,990)
Net cash used for capital financing activities	<u>(263,608)</u>
<u>Cash flows from investing activities:</u>	
Increase (Decrease) in investments	(9,511)
Purchases of capital assets	(16,709)
Interest and dividends received	134,546
Investment fees	(225,867)
Net cash provided (used) by investing activities	<u>(117,541)</u>
Net increase (decrease) in cash and cash equivalents	132,038
Beginning cash and cash equivalents as of July 1, 2011	<u>804,971</u>
Ending cash and cash equivalents as of June 30, 2012	<u>\$ 937,009</u>
<u>Reconciliation of operating income to net cash provided (used)</u> <u>by operating activities:</u>	
Operating income	\$ 190,912
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	166,011
Amortization expense	170,418
Effects of changes in :	
Accounts receivable	(10,804)
Accounts payable	11,697
Deferred revenue	(13,640)
Prepays	(1,407)
Net cash provided by operating activities	<u>\$ 513,187</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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). For its proprietary operations, the District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 and all GASB pronouncements.

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 (SMAQMD) 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 elected fourteen-member Board of Directors. The District has no component units.

C. BASIS OF PRESENTATION

Government-wide financial statements

The statement of net assets 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 assets records all of the District's assets and liabilities including capital assets and long-term liabilities.

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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Fund financial statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has two major funds for reporting purposes, called the general 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 current 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 assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. 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 nonoperating items. Operating revenues and expenses generally result from providing services, 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 nonexchange 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Imposed nonexchange 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. Deferred 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 nonexchange 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 nonexchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of nonexchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. Deferred 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 deferred. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement Emission Reduction (GMERP), Lower Emissions 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 assets, 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund, emission technology fund and the proprietary 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 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 interfund 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:

<u>Asset Class</u>	<u>Years</u>
Machinery and Equipment	5-20
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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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. FUND BALANCE RESERVES

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: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable 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 by the government 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 the other classifications.

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.

K. 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. Debt premiums, discounts and issuance costs are deferred and amortized over the life of the debt using the straight line method. Issuance costs are reported as deferred charges in other assets.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

L. DEFERRED REVENUE

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. Revenue that is classified as deferred has been received but is unearned at June 30, 2012. The makeup of deferred revenue is

<u>Programs</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Moyer	\$ 7,568,898	\$ -
GEMRP	16,072,824	-
LESBP	6,039	-
Miscellaneous	-	175
Total	<u>\$ 23,647,761</u>	<u>\$ 175</u>

M. 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.

N. ELIMINATIONS AND RECLASSIFICATIONS

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

O. 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

Cash and investments consisted of the following as of June 30, 2012:

	Governmental Accounts	Proprietary Accounts	Total
Deposits:			
Balance Per Bank	\$ 105,458	\$ -	\$ 105,458
Pooled Funds:			
Cash in County Treasury	44,985,287	763,561	45,748,848
Less: Outstanding Checks	(1,078,684)	-	(1,078,684)
Cash and Investments with fiscal agent	-	597,691	597,691
Total Cash and Investments	44,012,061	1,361,252	45,373,313
Noncurrent reserves	-	(424,243)	(424,243)
Total Cash and Equivalents	\$ 44,012,061	\$ 937,009	\$ 44,949,070

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 1.04%. 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

Interest Rate Risk. The District’s 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, 2012, Treasury’s investments are in accordance with the District’s investment policy. The Treasury’s investment has an average days-to-maturity of 259 days and yields .0416% as of June 30, 2012.

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, F 1 by Fitch, and the issuer’s long-term credit ratings shall be at or above A by Standard & Poor’s and A 2 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 B or better.

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Notes & Agency Obligations	5 years	100%	None
Bonds issued by local agencies	5 years	80%	None
Registered State Warrants and Municipal Notes	5 years	80%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	40%	None
Negotiable CRA Bank Deposit/Certificates of Deposit	1 year	30%	None
Repurchase Agreements	1 year	30%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	180 days	30%	None
Share of Money Market Mutual Fund	60 days	20%	None
Collateralized Mortgage Obligations	180 days	20%	None
Local Agency Investment Fund (LAIF)	N/A	\$50 million	None

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

3. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

Investments of debt proceeds held by trustee, Certificate of Participation (COP) Reserve in the amount of \$424,243 are included in Business-type Activities as deposits with others. 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, 2012:

Government Fund:

Interest	\$	56,707
DMV Surcharge		1,143,072
EPA and CMAQ Grants		1,760,127
Mutual Settlement/Fines		44,295
State subvention		100,573
Permits and fees		147,430
Local Government Aid		175,727
Miscellaneous		24,728
Total receivables	\$	<u><u>3,452,659</u></u>

Proprietary Fund:

Miscellaneous	\$	<u><u>13,022</u></u>
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5. OPERATING LEASES

The District leases other equipment under operating leases. Total costs for such leases were \$82,066 for the year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Year ending, June 30</u>	<u>Amount</u>
2013	\$ 11,240
2014	1,560
	<u><u>\$ 12,800</u></u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Government Activities				
Capital assets, being depreciated:				
Equipment	\$ 1,864,853	\$ 305,418	\$ -	\$ 2,170,271
Less: accumulated depreciation	<u>(1,537,260)</u>	<u>(125,386)</u>	<u>-</u>	<u>(1,662,646)</u>
Total capital assets, being depreciated, net	<u>\$ 327,593</u>	<u>\$ 180,032</u>	<u>\$ -</u>	<u>\$ 507,625</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	<u>\$ 1,086,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,086,652</u>
Total capital assets not being depreciated:	<u>1,086,652</u>	<u>-</u>	<u>-</u>	<u>1,086,652</u>
Capital assets, being depreciated:				
Building	4,806,193	12,480	-	4,818,673
Less: accumulated depreciation	<u>(1,136,289)</u>	<u>(166,011)</u>	<u>-</u>	<u>(1,302,300)</u>
Total capital assets, being depreciated:	<u>3,669,904</u>	<u>(153,531)</u>	<u>-</u>	<u>3,516,373</u>
Business-type Activities capital assets, net	<u>\$ 4,756,556</u>	<u>\$ (153,531)</u>	<u>\$ -</u>	<u>\$ 4,603,025</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

7. LONG-TERM LIABILITIES

Certificates of Participation

In February 2002, the District issued certificates of participation in the amount of \$5,835,000, with interest rates ranging from 1.50% to 5.25%. As of June 30, 2011, the principal balance outstanding was \$4,445,000. Proceeds included a bond premium of \$60,938, which will be amortized over the life of the COPs.

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, 2012, the principal balance outstanding was \$4,350,000. 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 June 30,	Principal	Interest	Total
2013	\$ -	\$ 148,394	\$ 148,394
2014	100,000	146,644	246,644
2015	270,000	140,169	410,169
2016	275,000	130,631	405,631
2017	285,000	121,544	406,544
2018-2022	1,570,000	472,512	2,042,512
2023-2026	1,850,000	188,691	2,038,691
Sub-totals	4,350,000	1,348,585	5,698,585
Plus: Unamortized Premium	70,747	-	70,747
Totals	<u>\$ 4,420,747</u>	<u>\$ 1,348,585</u>	<u>\$ 5,769,332</u>

Total interest expense for the COPs in the fiscal year ended June 30, 2012 was \$265,242. Total principal payments for the COPs in the fiscal year ended June 30, 2012 was \$185,000, prior to refunding the 2002 COPs.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of Participation	\$ 4,445,000	\$ 4,350,000	\$ 4,445,000	\$ 4,350,000	\$ -
Governmental Compensated Absences	\$ 841,149	\$ 866,340	\$ 814,557	\$ 892,932	\$ 871,140

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 no settlements or claims have been made in the last four years.

During the fiscal year ended June 30, 2012, 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 Special District Risk Management Authority (SDRMA), through a Joint Power Agreement (JPA). The relationship between the District and SDRMA is such that SDRMA 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Nature of Participation

Program	Deductible per Occurrence	Annual Coverage Limit
General Liability	\$500	\$10,000,000 Per Occurrence
Public Officials and Employees Errors	\$0	\$10,000,000 Per Occurrence/General Aggregate
Person Liability for Board Members/Directors	\$500	\$500,000 Per Occurrence/General Aggregate
Employment Practices Liability	\$0	\$10,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	\$0	\$10,000,000 Per Occurrence/General Aggregate
Employee Dishonesty Coverage	\$0	\$400,000 Per Occurrence
Auto Liability	\$1,000	\$10,000,000 Per Occurrence
Uninsured/Underinsured Motorists	\$1,000	\$750,000 Each Accident
Property Coverage	\$0	\$1,000,000,000 Each Occurrence
Boiler and Machinery Coverage	\$1,000	\$100,000,000 Each Occurrence
Statutory Workers' Comp	\$0	Statutory Per Occurrence
Employers' Liability WC	\$0	\$5,000,000 Per Occurrence

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Condensed audited financial information of SDRMA for the year ended June 30, 2012 is as follows:

A. <u>Entity</u>	<u>SDRMA</u>	
B. <u>Purpose</u>	To provide workers' compensation, property, liability, error and omissions, auto liability, crime and boiler and machinery insurance to its members	
C. <u>Participants</u>	Public agencies in California	
D. <u>Governing Board</u>	Seven elected from at-large members	
E. <u>Payments for the Current Year</u>	\$	-
F. <u>Condensed Financial Information</u>	June 30, 2012*	
	(Audited)	
Total Assets	\$	102,675,963
Total Liabilities	\$	43,880,783
Net Assets (Deficit)		58,795,180
Total Liabilities & Net Assets	\$	102,675,963
Total Revenues	\$	46,647,444
Total Expenses		(38,734,846)
Net Income (Loss)	\$	7,912,598

Member Agencies Share of Year-End Assets, Liabilities, or Fund Equi

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* Most recent information available.

** Has not been calculated.

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 dated, December 5, 2005, of the District's bonded liability, at June 30, 2004, amounted to \$5,787,777, there was no unfunded liability as of June 30, 2004. The District was not required to pay any share of the pension bond debt service for fiscal year 2003-2004. The District's share of the bonded liability will change based upon employee turnover and the periodic actuarial evaluation.

CalPERS:

Effective July 1, 1996, all employees began participating in the California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating agencies within the State of California.

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. A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The benefit factor for this group of employees comes from the 2% at 55-benefit factor table. Until December 31, 2000, this factor was 2% @ 60. The years of service is the amount credited by CalPERS to a member while he or she is employed in this group. The final compensation is the monthly average of the member's last 36 consecutive months' full-time equivalent monthly pay.

CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Funding Policy

All permanent part-time and full-time employees of the District are required to contribute 7 percent of their annual salary to CalPERS of which the District pays 1%. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2012 was 11.075%. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2012 the District's annual pension cost was \$1,039,620 and the District actually contributed \$1,039,620. The required contribution for the year ended June 30, 2012 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% depending on age, Service, and type of employment, and (c) 3.0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over 30 year amortization period. The District's contribution to CalPERS made on behalf of it's employees for the years ended June 30, 2012, 2011, and 2010 were \$1,039,620, \$945,320 and \$973,956, respectively.

Three-Year Trend Information for The District

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/10	\$ 973,956	100%	\$ -
06/30/11	\$ 945,320	100%	\$ -
06/30/12	\$ 1,039,620	100%	\$ -

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

12. OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The District participates in a single-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) \$112 in calendar year 2012. 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. The District currently has 6 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).

B. FUNDING POLICY

The Districts MEC is set by Government Code Section 22892. Effective January 1, 2011 the CalPERS Board will adjust the rate to reflect any change in the medical care component of the Consumer Price Index (CPI).

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, which was initially implemented prospectively by the District. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

For the year ended June 30, 2012 the District funded \$57,491 into the CERBT. The current ARC rate is 0.662% of annual covered payroll.

C. ANNUAL OPEB COST

For the year ended June 30, 2012, the District's OPEB cost (expense) was \$57,491 which included the ARC and the Net OPEB Obligation at the beginning of the year.

Year Ended June 30, 2012	
Annual OPEB Cost	\$ 57,491
Contributions Made	<u>57,491</u>
Increase (Decrease) in net OPEB Obligation	-
Net OPEB Obligation (Asset) - Beginning	<u>-</u>
Net OPEB Obligation (Asset) - Ending	<u><u>\$ -</u></u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The District's annual OPEB costs, the annual OPEB cost contributed to the plan, and the net obligation for the fiscal year ended June 30, 2012 and the two preceding fiscal years were as follows:

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Assets)</u>
06/30/10	\$ 37,775	100%	\$ -
06/30/11	\$ 39,765	100%	\$ -
06/30/12	\$ 57,491	100%	\$ -

D. ACTUARIAL METHODS AND ASSUMPTIONS

The assumptions used for this valuation are in accordance with CalPERS' "OPEB Assumption Model" which describes guidelines to be used for retiree healthcare valuations for agencies pre-funding retiree healthcare benefits through the CERBT. The annual actuarial contribution to pay for the medical benefits provided to retired employees of the District is computed under the Entry Age Normal Actuarial Cost Method. Gains and losses that occur in the operation of the plan are amortized over a rolling 15 year period.

All assets and liabilities are computed as of June 30, 2011. The rate of return for assets in the CERBT is assumed to be 6.39%. The rate of return for assets held in trust for the prior valuation was assumed to be 7.75%. The cost of living as measured by the CPI is assumed to increase at the rate of 3.00% per year. Salaries are assumed to increase annually at 3.25%. Health care costs are projected to increase annually at 4.5%.

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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

14. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2012 through January 14, 2013, 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 SECTION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u> Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
DMV surcharge	\$ 4,305,000	\$ 4,305,000	\$ 4,597,806	\$ 292,806
Sales/use tax	1,254,730	1,254,730	1,342,830	88,100
Permits and fees	6,613,982	6,613,982	6,180,051	(433,931)
Local government aid	340,000	340,000	352,802	12,802
State Subvention	1,404,958	1,404,958	1,446,359	41,401
Federal grants	2,602,741	2,602,741	2,490,262	(112,479)
Interest	80,000	80,000	44,337	(35,663)
Total revenues	<u>16,601,411</u>	<u>16,601,411</u>	<u>16,454,447</u>	<u>(146,964)</u>
Salaries and benefits	11,946,558	11,946,558	11,527,097	(419,461)
Services and supplies	7,324,380	7,324,380	4,596,430	(2,727,950)
Capital expenditures	317,000	317,000	305,418	(11,582)
Total expenditures	<u>19,587,938</u>	<u>19,587,938</u>	<u>16,428,945</u>	<u>(3,158,993)</u>
Excess (deficiency) of revenues over(under) expenditures	<u>\$ (2,986,527)</u>	<u>\$ (2,986,527)</u>	<u>\$ 25,502</u>	<u>\$ 3,012,029</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EMISSION TECHNOLOGY FUND– BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Revenues:	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
DMV surcharge	\$ 1,900,000	\$ 1,900,000	\$2,130,691	\$ 230,691
Local government aid	325,000	325,000	350,000	25,000
State Subvention	22,850,432	22,850,432	28,368,094	5,517,662
Federal grants	1,930,938	1,930,938	1,074,193	(856,745)
Interest	257,121	257,121	160,087	(97,034)
Total revenues	<u>27,263,491</u>	<u>27,263,491</u>	<u>32,083,065</u>	<u>4,819,574</u>
Expenditures:				
Services and supplies	35,489,430	35,489,430	32,027,557	(3,461,873)
Incentive program reserve	24,101,160	24,101,160	-	(24,101,160)
Total expenditures	<u>59,590,590</u>	<u>59,590,590</u>	<u>32,027,557</u>	<u>(27,563,033)</u>
Excess (deficiency) of revenues over(under) expenditures	<u>\$ (32,327,099)</u>	<u>\$ (32,327,099)</u>	<u>\$ 55,508</u>	<u>\$ 32,382,607</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Accrued Liability	Value of Assets	Required Supplementary Information			
			Unfunded (Overfunded) Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
07/01/07	\$ 656,075	\$ -	\$ 656,075	0.0%	\$ 7,664,279	8.6%
07/01/09	\$ 626,637	\$ 712,866	\$ (86,229)	113.8%	\$ 8,668,885	-1.0%
07/01/11	\$ 1,039,114	\$ 1,097,022	\$ (57,908)	105.6%	\$ 8,685,414	-0.7%

SUPPLEMENTARY INFORMATION SECTION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Grant #</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<u>U.S Environmental Protection Agency</u>			
Air Pollution Control Supply	* A 00903111	66.001	\$ 573,720
	* A 00903112	66.001	1,104,216
Surveys, Studies, Investigations, ect.	PM 98950701	66.034	70,947
Sierra N. Railway Repower - Targeted Air Shed	EM 83493001	66.202	801,513
National Clean Diesel - Hybrid	* DE 96085501	66.039	299,040
National Clean Diesel - Agricultural Water Irrigation Pump Voucher Program	* DE 00T75401	66.039	24,258
			<u>2,873,694</u>
<u>U.S Highway Planning and Construction</u>			
Passed through the California Department of Transportation Highway Planning and Construction	* CML - 6236	20.205	690,761
			<u>\$3,564,455</u>

* Designates a major program

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 OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

STATISTICAL SECTION

STATISTICAL SECTION

<p>This Part of the Sacramento Metropolitan Air Quality Management District’s (District) 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.</p>	
Contents	Page
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.</p>	44
<p>Revenue Capacity</p> <p>These schedules present information to help the reader assess the District’s own source revenue, permits and fees.</p>	51
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Districts financial activities take place.</p>	53
<p>Operating Information</p> <p>These 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.</p>	56

Sacramento Metropolitan Air Quality Management District
Schedule 1
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Investment in capital assets, net of related debt	\$ 438,058	\$ 442,652	\$ 540,968	\$ 522,329	\$ 535,979	\$ 624,503	\$ 594,518	\$ 447,263	\$ 327,593	\$ 507,625
Restricted	6,052,316	7,230,914	8,739,934	10,118,952	17,846,829	18,471,262	16,840,972	20,451,561	12,198,362	13,433,942
Unrestricted	1,584,646	1,345,006	4,246,705	4,627,737	3,422,783	3,150,700	1,142,535	946,120	8,636,476	7,436,123
Total governmental activities net assets	\$ 8,075,020	\$ 9,018,572	\$ 13,527,607	\$ 15,269,018	\$ 21,805,591	\$ 22,246,465	\$ 18,578,025	\$ 21,844,944	\$ 21,162,431	\$ 21,377,690
Business-type Activities										
Investment in capital assets, net of related debt	\$ 48,391	\$ 87,828	\$ 173,753	\$ 230,782	\$ 313,326	\$ 335,681	\$ 85,216	\$ 142,689	\$ 438,929	\$ 403,041
Restricted	-	-	-	-	-	-	431,776	427,031	433,754	424,243
Unrestricted	(14,005)	2,344	(4,485)	107,212	287,763	323,454	802,936	990,954	762,937	909,129
Total business-type activities net assets	\$ 34,386	\$ 90,172	\$ 169,268	\$ 337,994	\$ 601,089	\$ 659,135	\$ 1,319,928	\$ 1,560,674	\$ 1,635,620	\$ 1,736,413
Primary government										
Investment in capital assets, net of related debt	\$ 486,449	\$ 530,480	\$ 714,721	\$ 753,111	\$ 849,305	\$ 960,184	\$ 679,734	\$ 589,952	\$ 766,522	\$ 910,666
Restricted	6,052,316	7,230,914	8,739,934	10,118,952	17,846,829	18,471,262	17,272,748	20,878,592	12,632,116	13,858,185
Unrestricted	1,570,641	1,347,350	4,242,220	4,734,949	3,710,546	3,474,154	1,945,471	1,937,074	9,399,413	8,339,252
Total primary government net assets	\$ 8,109,406	\$ 9,108,744	\$ 13,696,875	\$ 15,607,012	\$ 22,406,680	\$ 22,905,600	\$ 19,897,953	\$ 23,405,618	\$ 22,798,051	\$ 23,108,103

Sacramento Metropolitan air Quality Management District
Schedule 2
Changes in Net Position - Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
Stationary source activities	\$ 3,556,848	\$ 3,799,477	\$ 3,231,647	\$ 4,703,166	\$ 5,091,593	\$ 5,192,799	\$ 8,954,634	\$ 6,132,920	\$ 5,823,570	\$5,864,304
Mobile source activities	7,156,116	4,635,708	3,017,870	6,902,841	11,450,669	11,310,141	11,652,160	13,096,491	12,207,979	34,715,045
Program coordination activities	2,315,572	3,022,409	2,600,064	2,943,252	3,883,940	3,519,465	4,581,824	4,346,725	4,286,273	3,973,143
Strategic planning activities	2,203,235	1,953,334	2,042,282	2,594,043	3,593,197	3,715,156	3,909,988	4,048,968	3,548,148	3,650,376
Depreciation expense-unallocated	72,670	69,606	80,979	103,278	112,904	138,142	149,067	165,753	140,459	125,386
Total governmental activities	\$ 15,304,441	\$ 13,480,534	\$ 10,972,842	\$ 17,246,580	\$ 24,132,303	\$ 23,875,703	\$ 29,247,673	\$ 27,790,857	\$ 26,006,429	\$ 48,328,254
Business-type activities										
Building operations and obligations	\$ 634,486.00	\$ 670,663	\$ 692,099	\$ 699,799	\$ 740,111	\$ 811,392	\$ 779,943	\$ 739,766	\$ 760,079	\$ 959,018
Total primary government expenses	\$ 15,938,927	\$ 14,151,197	\$ 11,664,941	\$ 17,946,379	\$ 24,872,414	\$ 24,687,095	\$ 30,027,616	\$ 28,530,623	\$ 26,766,508	\$ 49,287,272
Program Revenues										
Governmental Activities										
Charges for services										
Stationary source activities	\$ 3,791,056	\$ 3,474,961	\$ 4,976,879	\$ 4,072,422	\$ 6,163,810	\$ 4,617,658	\$ 4,868,387	\$ 4,857,740	\$ 5,297,300	\$ 4,912,279
Mobile source activities	93,075	2,021	-	5,046,606	-	-	-	561,345	532,447	703,135
Program coordination activities	34,621	108,951	204,833	612,827	(111,894)	41,879	136,336	136,552	84,794	84,408
Strategic planning activities	-	-	-	-	-	-	-	40,207	567,305	470,716
Operating grants and contributions										
Stationary source activities	1,134,974	2,227,170	1,926,643	735,527	1,365,145	298,000	3,875,126	764,839	336,324	519,136
Mobile source activities	525,458	1,084,535	938,192	510,366	13,831,821	7,796,251	10,721,789	15,088,024	10,355,463	32,815,391
Program coordination activities	714,608	1,355,669	1,172,739	467,643	867,950	2,382,599	1,538,889	1,985,190	1,086,075	1,274,400
Strategic planning activities	277,451	511,281	442,290	204,377	379,326	554,018	964,812	969,308	607,520	625,227
Total governmental activities	\$ 6,571,243	\$ 8,764,588	\$ 9,661,576	\$ 11,649,768	\$ 22,496,158	\$ 15,690,405	\$ 22,105,339	\$ 24,403,205	\$ 18,867,228	\$ 41,404,692
Business-type activities										
Building operations and obligations	\$ 452,746.00	\$ 476,329	\$ 481,608	\$ 840,666	\$ 974,720	\$ 837,381	\$ 943,695	\$ 948,942	\$ 807,106	\$ 884,688
Total primary government program revenues	\$ 7,023,989	\$ 9,240,917	\$ 10,143,184	\$ 12,490,434	\$ 23,470,878	\$ 16,527,786	\$ 23,049,034	\$ 25,352,147	\$ 19,674,334	\$ 42,289,380

Sacramento Metropolitan Air Quality Management District
Schedule 2
Changes in Net Assets - Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense) Revenue										
Government activities	\$ (8,733,198)	\$ (4,715,946)	\$ (1,311,266)	\$ (5,596,812)	\$ (1,636,145)	\$ (8,185,298)	\$ (7,142,334)	\$ (3,387,652)	\$ (7,139,201)	\$ (6,923,562)
Business-type activities	(181,740)	(194,334)	(210,491)	140,867	234,609	25,989	163,752	209,176	47,027	(74,330)
Total primary government net (expenses) revenue	<u>(8,914,938)</u>	<u>(4,910,280)</u>	<u>(1,521,757)</u>	<u>(5,455,945)</u>	<u>(1,401,536)</u>	<u>(8,159,309)</u>	<u>(6,978,582)</u>	<u>(3,178,476)</u>	<u>(7,092,174)</u>	<u>(6,997,892)</u>
General revenues										
Governmental activities										
Grants and subventions	\$ 6,948,200	\$ 5,408,517	\$ 5,386,522	\$ 5,902,833	\$ 6,090,320	\$ 6,884,648	\$ 8,324,288	\$ 5,684,433	\$ 5,696,646	\$6,216,082
Interest	117,229	65,123	183,162	524,224	991,786	1,086,702	515,419	268,262	230,368	204,424
Penalties/Settlements	519,065	410,394	516,945	911,166	1,090,612	654,822	977,533	701,876	529,674	712,315
Other revenue	19,069	-	-	-	-	-	-	-	-	-
Merchandise sales	-	-	-	-	-	-	-	-	-	-
Transfers	(169,993)	(224,536)	(266,328)	-	-	-	(456,966)	-	-	-
Total governmental activities	<u>\$ 7,433,570</u>	<u>\$ 5,659,498</u>	<u>\$ 5,820,301</u>	<u>\$ 7,338,223</u>	<u>\$ 8,172,718</u>	<u>\$ 8,626,172</u>	<u>\$ 9,360,274</u>	<u>\$ 6,654,571</u>	<u>\$ 6,456,688</u>	<u>\$ 7,132,821</u>
Business-type activities										
Interest	\$ 21,173	\$ 25,584	\$ 23,259	\$ 27,859	\$ 28,486	\$ 32,058	\$ 40,075	\$ 31,570	\$ 27,919	\$175,123
Transfers	169,993	224,536	266,328	-	-	-	456,966	-	-	-
Total business-type activities	<u>191,166</u>	<u>250,120</u>	<u>289,587</u>	<u>27,859</u>	<u>28,486</u>	<u>32,058</u>	<u>497,041</u>	<u>31,570</u>	<u>27,919</u>	<u>175,123</u>
Total Primary government revenue	<u>\$ 7,624,736</u>	<u>\$ 5,909,618</u>	<u>\$ 6,109,888</u>	<u>\$ 7,366,082</u>	<u>\$ 8,201,204</u>	<u>\$ 8,658,230</u>	<u>\$ 9,857,315</u>	<u>\$ 6,686,141</u>	<u>\$ 6,484,607</u>	<u>\$ 7,307,944</u>
Change in net assets										
Government activities	\$ (1,299,628)	\$ 943,552	\$ 4,509,035	\$ 1,741,411	\$ 6,536,573	\$ 440,874	\$ 2,217,940	\$ 3,266,919	\$ (682,513)	\$ 209,259
Business-type activities	\$ 9,426	\$ 55,786	\$ 79,096	\$ 168,726	\$ 263,095	\$ 58,047	\$ 660,793	\$ 240,746	\$ 74,946	\$ 100,793
Total Primary government	<u>(1,290,202)</u>	<u>\$ 999,338</u>	<u>\$ 4,588,131</u>	<u>\$ 1,910,137</u>	<u>\$ 6,799,668</u>	<u>\$ 498,921</u>	<u>\$ 2,878,733</u>	<u>\$ 3,507,665</u>	<u>\$ (607,567)</u>	<u>\$ 310,052</u>

Data prior to 2003 not available

Sacramento Metropolitan Air Quality Management District
Schedule 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Restricted	\$ 6,052,316	\$ 7,230,914	\$ 9,179,982	\$ 10,118,952	\$ 13,558,198	\$ 16,637,844	\$ 10,109,530	\$ 2,858,052	\$ -	\$ 7,796,133
Assigned	-	-	-	-	-	-	-	2,407,273	2,986,527	4,693,521
Unrestricted	1,981,459	1,756,185	4,246,705	5,144,677	8,295,221	5,751,365	8,666,336	7,906,636	9,477,625	-
Total General Fund	<u>\$ 8,033,775</u>	<u>\$ 8,987,099</u>	<u>\$ 13,426,687</u>	<u>\$ 15,263,629</u>	<u>\$ 21,853,419</u>	<u>\$ 22,389,209</u>	<u>\$ 18,775,866</u>	<u>\$ 13,171,961</u>	<u>\$ 12,464,152</u>	<u>\$ 12,489,654</u>
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,064,562	\$ 9,211,835	\$ 9,267,343
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,064,562</u>	<u>\$ 9,211,835</u>	<u>\$ 9,267,343</u>

Sacramento Metropolitan Air Quality Management District
Schedule 4
Changes in Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1										
Revenues:										
Licenses, permits and fees	\$ 4,384,515	\$ 3,998,973	\$ 5,364,569	\$ 5,903,839	\$ 6,786,546	\$ 6,405,970	\$ 8,371,169	\$ 6,705,683	\$ 5,949,397	\$ 6,180,051
DMV Surcharge	4,102,077	4,252,331	4,626,697	6,412,378	6,559,583	6,560,006	6,019,834	6,588,256	6,193,002	6,728,497
Measure A (half-cent sales tax)	2,846,123	1,153,541	759,621	1,592,717	1,713,010	2,509,280	3,451,493	1,437,054	1,258,648	1,342,830
Local government aid	284,073	455,686	36,338	310,360	182,221	50,994	10,751,314	764,839	532,448	702,802
State subvention/programs	813,430	2,235,914	3,384,774	2,636,919	11,058,290	5,023,916	336,656	13,308,493	8,641,608	29,814,453
Federal grants	1,554,988	2,487,055	1,393,044	1,607,552	3,377,440	2,679,709	2,476,695	1,985,190	1,988,770	3,564,455
Penalties/civil settlements	-	-	-	-	-	-	-	-	529,674	-
Interest	117,229	65,123	183,162	524,224	991,786	1,086,702	515,419	268,262	230,368	204,424
Miscellaneous	72,369	-	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 14,174,804</u>	<u>\$ 14,648,623</u>	<u>\$ 15,748,205</u>	<u>\$ 18,987,989</u>	<u>\$ 30,668,876</u>	<u>\$ 24,316,577</u>	<u>\$ 31,922,580</u>	<u>\$ 31,057,777</u>	<u>\$ 25,323,915</u>	<u>\$ 48,537,512</u>
Expenditures:										
Salaries and employee benefits	\$ 5,927,855	\$ 6,210,330	\$ 6,637,130	\$ 8,150,698	\$ 8,933,557	\$ 9,993,878	\$ 11,328,021	\$ 11,619,250	\$ 11,458,660	\$ 11,527,097
Insurance	73,525	71,872	70,553	87,799	75,810	97,389	96,890	69,476	62,085	65,382
Building rent	-	-	-	-	-	-	526,457	954,219	335,625	411,363
Equipment rent and lease	164,707	121,561	180,065	39,138	50,223	55,969	177,025	175,781	157,939	49,345
Supplies and services purchased	603,107	1,202,517	1,291,269	2,261,860	2,009,539	1,928,221	1,618,909	1,154,574	1,098,609	1,139,293
Contract and special services	8,385,644	5,790,283	2,683,977	6,526,913	12,883,403	11,478,664	15,251,787	13,605,322	12,750,744	34,958,604
Transportation	-	-	-	-	-	-	-	-	-	-
Interfund Charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	12,319	74,200	179,295	84,639	126,554	226,666	119,082	18,498	20,789	305,418
Total expenditures	<u>\$ 15,167,157</u>	<u>\$ 13,470,763</u>	<u>\$ 11,042,289</u>	<u>\$ 17,151,047</u>	<u>\$ 24,079,086</u>	<u>\$ 23,780,787</u>	<u>\$ 29,118,171</u>	<u>\$ 27,597,120</u>	<u>\$ 25,884,451</u>	<u>\$ 48,456,502</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (992,353)	\$ 1,177,860	\$ 4,705,916	\$ 1,836,942	\$ 6,589,790	\$ 535,790	\$ 2,804,409	\$ 3,460,657	\$ (560,536)	\$ 81,010
Other financing uses:										
Interfund transfers in/(out)	169,993	224,536	266,328	-	-	-	456,966	-	-	-
Net increase(decrease) in fund balance	<u>\$ (1,162,346)</u>	<u>\$ 953,324</u>	<u>\$ 4,439,588</u>	<u>\$ 1,836,942</u>	<u>\$ 6,589,790</u>	<u>\$ 535,790</u>	<u>\$ 2,347,443</u>	<u>\$ 3,460,657</u>	<u>\$ (560,536)</u>	<u>\$ 81,010</u>

Sacramento Metropolitan Air Quality Management District
Schedule 5
Schedule of General Government Expenditures by Major Object (Budgetary Basis)
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/Fixed Assets	Interfund Charges	Contingency	Total
02-03	\$ 6,178,752	\$ 13,725,264	\$ 64,997	\$ 1,046,403	\$ -	\$ 21,015,416
03-04	\$ 6,886,307	\$ 11,617,722	\$ 121,001	\$ 432,824	\$ 106,895	\$ 19,164,749
04-05	\$ 7,340,221	\$ 8,740,742	\$ 224,100	\$ 435,672	\$ 300,000	\$ 17,040,735
05-06	\$ 8,929,314	\$ 17,878,385	\$ 281,100	\$ 436,000	\$ 300,000	\$ 27,824,799
06-07	\$ 9,500,743	\$ 26,180,780	\$ 227,500	\$ 414,682	\$ 450,000	\$ 36,773,705
07-08	\$ 10,959,562	\$ 22,329,068	\$ 360,400	\$ 840,000	\$ 450,000	\$ 34,939,030
08-09	\$ 12,183,771	\$ 62,339,385	\$ 110,400	\$ 424,353	\$ 450,000	\$ 75,507,909
09-10	\$ 12,199,760	\$ 57,217,281	\$ 38,000	\$ 3,851,831	\$ -	\$ 73,306,872
10-11	\$ 11,584,777	\$ 60,902,308	\$ 43,500	\$ 1,407,642	\$ -	\$ 73,938,227
11-12	\$ 11,527,097	\$ 36,623,987	\$ 305,418	\$ -	\$ -	\$ 48,456,502

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

Sacramento Metropolitan Air Quality Management District
Schedule 6
Schedule of General Government Expenditures by Function
Last Ten Years (Unaudited)

Fiscal Year	Salaries & Benefits	Services & Supplies	Payments to Gov'ts	Interfund Charges	Capital Outlay	Total
02-03	\$ 5,927,855	\$ 9,226,983	\$ -	\$ 169,993	\$ 12,319	\$ 15,337,150
03-04	\$ 6,210,330	\$ 7,186,233	\$ -	\$ 224,536	\$ 74,200	\$ 13,695,299
04-05	\$ 6,637,130	\$ 4,225,864	\$ -	\$ 266,328	\$ 179,295	\$ 11,308,617
05-06	\$ 8,150,698	\$ 8,915,710	\$ -	\$ -	\$ 84,639	\$ 17,151,047
06-07	\$ 8,933,557	\$ 15,018,975	\$ -	\$ -	\$ 126,554	\$ 24,079,086
07-08	\$ 9,993,878	\$ 13,560,243	\$ -	\$ -	\$ 226,666	\$ 23,780,787
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

Note: Expenditures were previously reported in financial statements under the categories of Health & Sanitation (which included Salaries & Benefits, Services & Supplies, Payments to Gov'ts, Interfund Charges) and Capital Outlay.

Sacramento Metropolitan Air Quality Management District
Schedule 7
Schedule of General Government Revenues by Source
Last Ten Years (Unaudited)

Fiscal Year	Taxes	Intergovernmental	Licenses/ Permits	Use of Money & Property	Increase in Fair Value of Investments	Miscellaneous	Total
02-03	\$ 6,948,200	\$ 2,652,492	\$ 3,904,695	\$ 117,229	\$ -	\$ 552,188	\$ 14,174,804
03-04	\$ 5,405,872	\$ 5,178,655	\$ 3,998,973	\$ 65,123	\$ -	\$ -	\$ 14,648,623
04-05	\$ 5,386,318	\$ 4,814,156	\$ 5,364,569	\$ 183,162	\$ -	\$ -	\$ 15,748,205
05-06	\$ 8,005,095	\$ 4,554,831	\$ 5,903,839	\$ 524,224	\$ -	\$ -	\$ 18,987,989
06-07	\$ 8,272,593	\$ 14,617,951	\$ 6,786,546	\$ 991,786	\$ -	\$ -	\$ 30,668,876
07-08	\$ 9,069,286	\$ 7,754,619	\$ 6,405,970	\$ 1,086,702	\$ -	\$ -	\$ 24,316,577
08-09	\$ 9,471,327	\$ 13,564,665	\$ 8,371,169	\$ 515,419	\$ -	\$ -	\$ 31,922,580
09-10	\$ 8,025,308	\$ 16,058,522	\$ 6,705,683	\$ 268,262	\$ -	\$ -	\$ 31,057,775
10-11	\$ 7,451,650	\$ 11,162,826	\$ 6,479,071	\$ 230,368	\$ -	\$ -	\$ 25,323,915
11-12	\$ 8,071,327	\$ 34,081,710	\$ 6,180,051	\$ 204,424	\$ -	\$ -	\$ 48,537,512

Note-Increase in Fair Value of Investments is recorded as a result of GASB Statement No. 31.

Sacramento Metropolitan Air Quality Management District
Schedule 8
Own Source Government Revenue Base
Last Ten Years (Unaudited)

Year	Active Permits**	Actual Revenue
2003	3,373	\$ 2,161,977
2004	3,508	\$ 2,362,409
2005	3,763	\$ 2,464,720
2006	3,819	\$ 2,529,261
2007	4,006	\$ 2,757,297
2008	4,060	\$ 2,974,293
2009	4,183	\$ 3,276,452
2010	4,242	\$ 3,314,929
2011	4,238	\$ 4,245,918
2012	4,247	\$ 4,535,174

Source:

** Sacramento Metropolitan Air Quality Management District
Stationary Source Data Base
Jorge DeGuzman, Program Supervisor

Sacramento Metropolitan Air Quality Management District
Schedule 9
Demographic Information
Last Ten Years (Unaudited)

Year	County Population (January 1)	County Total Personal Income	County Per Capita Income	County Unemployment Rate
2003	1,317,579	\$ 40,789,349	\$ 30,686	5.9%
2004	1,345,208	\$ 43,462,957	\$ 32,192	5.6%
2005	1,368,192	\$ 45,653,787	\$ 33,521	5.0%
2006	1,387,771	\$ 48,313,850	\$ 35,197	4.8%
2007	1,406,804	\$ 50,157,252	\$ 36,340	5.5%
2008	1,424,415	\$ 54,079,000	\$ 38,782	7.7%
2009	1,433,187	\$ 52,377,000	\$ 37,184	11.9%
2010	1,445,327	\$ 53,613,000	\$ 37,700	11.8%
2011	1,428,355	\$ 54,861,602	\$ 38,202	11.8%
2012	1,482,054	NA	NA	NA

Source: California State Department of Finance
E-5 Population and Housing Estimates
Long-term Socio-Economic Forecasts by County

California Employment Development
Annual Average Employment by Industry Data

(1) History FY 2003-2009

(2) Personal Income and Per Capita for 2008-2010
County of Sacramento

Sacramento Metropolitan Air Quality Management District
 Schedule 10
 Vehicle Registrations (Automobiles & Trucks)
 Last Ten Calendar Years
 (unaudited)

Year	Vehicles Registered (As of December 31)
2003	1,110,073
2004	1,187,166
2005	1,181,625
2006	1,174,309
2007	(1)
2008	1,157,002
2009	1,159,910
2010	1,157,341
2011	1,141,979
2012	(2)

Source:

Department of Motor Vehicles
 Estimated Fee-Paid Registrations by County

- (1) Data not available
- (2) Not yet available

Sacramento Metropolitan Air Quality Management District
 Schedule 11
 Principal Employers
 Current Year and Ten Years Ago

Employer	2012			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	607,100	1	74%	406,727	1	71%
State Government	104,900	2	13%	96,979	2	17%
Local Government	97,500	3	12%	58,461	3	10%
Federal Government	13,700	4	2%	11,244	4	2%
Total All Industries	823,200		100%	573,411		100%

Source: Employment Development Department

Labor Market Information Division

www.labormarketinfo.edd.ca.gov

Historical Industry Employment Data Files

Employment by Industry, California Labor Market Info

Sacramento Metropolitan Air Quality Management District
 Schedule 12
 District Staff Position List
 Last Ten Years (Unaudited)

Full-Time Equivalent Employees as of June 30

FUNCTION:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Accountant I/II	-	-	1	1	1	1	1	1	1	-
Administrative Assistant I/II	1	1	1	2	2	2	2	2	2	2.0
Administrative/Legal Analyst	-	-	-	-	-	1	1	1	-	-
Air Pollution Control Officer/Executive Director	1	1	1	1	1	1	1	1	1	1.0
Asst/Assoc Air Quality Engineer (reclass 2006 to Air Quality Engineer)	13	14	15	18	21.5	21.5	21.5	21.5	21.5	20.5
Air Quality Instrument Specialist I/II	3	3	3	3	3	3	3	3	3	3.0
Associate Air Quality Engineer	-	-	-	-	-	-	-	-	-	-
Associate Air Quality Planner Analyst	-	-	-	-	-	-	-	-	-	-
Associate Air Quality Specialist	-	-	-	-	-	-	-	-	-	-
Associate Communications & Marketing Specialist	-	-	-	-	-	-	-	-	-	-
Associate Personnel Analyst	-	-	-	-	-	-	-	-	-	-
Assistant Air Quality Engineer	-	-	-	-	-	-	-	-	-	-
Assistant Air Quality Planner Analyst	-	-	-	-	-	-	-	-	-	-
Assistant Air Quality Specialist	-	-	-	-	-	-	-	-	-	-
Asst/Assoc Air Quality Planner/Analyst (reclass 2006 to Air Quality Planner/Analyst)	10	10	10	10.5	10.5	10.5	11	12	11	10.0
Asst/Assoc Air Quality Specialist (reclass 2006 to Air Quality Specialist)	16	17	17	19	19	22.5	21.5	20.6	18.6	18.6
Asst/Assoc Communications/Marketing Specialist	1.6	1.6	1.85	1.85	1.85	2.85	2.85	2.85	1.85	1.85
Clerical Services Supervisor	1	1	1	1	1	1	1	1	1	1.0
District Accountant/Controller	1	1	1	1	1	1	1	1	1	1.0
District Counsel	1	1	1	1	1	1	1	1	1	1.0
District Counsel Legal Assistant	1	1	1	1	1	1	1	1	1	1.0
Division Manager	5	5	5	5	5	4	4	4	4	3.0
Executive Assistant/Clerk to the Board	1	1	1	1	1	1	1	1	1	1.0
Financial Analyst	-	-	-	-	-	-	-	-	-	1.0
Fiscal Assistant I/II	1	1	1	1	1	1	1	1	1	1.0
Human Resources Officer	1	1	1	1	1	1	1	1	1	1.0
Information Systems Analyst/ Information Systems Administrator	1	1	1	1	1	1	1	1	1	1.0
Assistant Information Systems Analyst/Information Systems Analyst	1	1	1	1	1	2	2	2	2	2.0
Office Assistant I/II	3	3	3	2	3	3	3	3	3	2.0
Personnel Assistant I/II/Human Resource Assistant II	1	1	1	2	2	2	2	2	2	2.0
Program Coordinator	10	10	12	13	13	13	13	13	13	12.0
Program Supervisor	3	3	3	4	4	5	5	5	5	5.0
Secretary	1	1	-	-	-	-	-	-	-	-
Senior Accountant	-	-	1	1	1	1	1	1	1	1.0
Senior Communications & Marketing Specialist	1	1	1	-	-	-	-	-	-	-
Statistician	1	1	1	1	1	1	1	1	1	1.0
Total Funded Positions	79.6	81.6	85.85	93.35	97.85	104.35	103.85	103.95	98.95	93.95

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

Positions Unfunded

Administrative/Legal Analyst	-	-	-	-	-	-	-	-	1	1
Air Quality Engineer (LT)	-	-	-	1	1	-	-	-	-	-
Air Quality Planner/Analyst	-	-	-	-	-	-	-	-	-	1
Air Quality Specialist	-	-	-	-	-	-	-	-	2	2
Air Quality Specialist (LT)	-	-	-	1	1	-	-	1	-	-
Asst/Assoc. Air Quality Engineer	1	-	-	-	-	-	-	-	-	1
Asst/Assoc. Communications/Marketing Specialist	1	1	-	-	-	-	-	-	-	-
Deputy District Counsel	1	-	-	-	-	-	-	-	-	-
Division Manager	-	-	-	-	-	-	-	-	-	1
Office Assistant I/II	-	-	-	-	-	-	-	-	-	1
Program Coordinator	-	-	-	-	-	-	-	-	-	1
Total Positions Unfunded	3	1	-	2	2	-	-	1	3	8

Total Funded + Unfunded	82.60	82.60	85.85	95.35	99.85	104.35	103.85	104.95	101.95	101.95
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The FTEs were collected from the SMAQMD Budget

Sacramento Metropolitan Air Quality Management District
 Schedule 13
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Business-type Activities

Fiscal Year	Certificate of Participation	Bond Premium	Total Primary Government	Percentage of Personal Income 1	Per Capita - Sacramento County based on United States Census Figures 1
2003	\$ 5,695,000	\$ 57,908	\$ 5,752,908	14%	\$ 4,328
2004	\$ 5,555,000	\$ 55,384	\$ 5,610,384	13%	\$ 4,155
2005	\$ 5,410,000	\$ 52,859	\$ 5,462,859	12%	\$ 4,011
2006	\$ 5,260,000	\$ 50,334	\$ 5,310,334	11%	\$ 3,869
2007	\$ 5,110,000	\$ 47,810	\$ 5,157,810	10%	\$ 3,737
2008	\$ 4,955,000	\$ 45,285	\$ 5,000,285	10%	\$ 3,634
2009	\$ 4,790,000	\$ 42,760	\$ 4,832,760	9%	\$ 4,713
2010	\$ 4,620,000	\$ 40,235	\$ 4,660,235	9%	\$ 3,277
2011	\$ 4,445,000	\$ 37,941	\$ 4,482,941	8%	\$ 3,122
2012	\$ 4,350,000	\$ 21,904	\$ 4,371,904	(2)	(2)

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data

(2) Not yet available

Sacramento Metropolitan Air Quality Management District
 Schedule 14
 Capital Assets Statistics by Function/Program
 Last Five Fiscal Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Monitoring Air Quality					
Number of air monitoring stations	9	9	9	9	9
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	76	76	76	76	76