

**SACRAMENTO METROPOLITAN AIR
QUALITY MANAGEMENT DISTRICT**

SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**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

December 4, 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, 2013.

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, 2013 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, 2013 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 is currently designated non-attainment 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 2014, these mobile sources are projected to contribute about 47% of our Volatile Organic Compounds (VOC) and 82% of our Oxides of Nitrogen (NOx) emissions, while stationary (industrial) sources contribute about 25% of our VOC emissions and 14% 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 35% 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; 23% from federal, local government and state subventions; 9% from sales tax; 3% from civil settlement 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 2012-13, 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 8.1% 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. DMV and Moyer funding would have sunset in 2015 but with the passage of AB8 these funding sources are reauthorized until 2024.

Management annually reviews a five-year financial projection 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 will be recommended as part of the 2014/2015 budget.

Long-term Financial Planning

In April 2009 the accounting firm of KPMG conducted a detailed fee study of district revenues and expenses. The fee study determined that stationary source permit and fee revenue was insufficient to support the related program activities. The final fee study report indicated that a stationary source fee increase was overdue and should be presented to and considered by the Board. However the first priority of management was to consider all appropriate measures to reduce expenses, while still accomplishing the district mission. This effort took a number of years due to the recession. These efforts were successful and allowed the district to maintain operations through the recession, though there was a loss of approximately 10% in District FTE staffing. The District Board approved a fee increase as part of the 2013-2014 budget and District staff will continue to evaluate the need to increase fees this year and continuing over the next four years. Subsequently, permit fees may be adjusted for the consumer price index (CPI) to help keep pace with rising costs.

The District plans to hold expenditures at current budgeted 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. Since mid-2012, EPA has recognized that Sacramento has met three federal air quality standards, the federal 1 hour ozone standard (October 2012), PM_{2.5} (July 2013), and PM₁₀ (September 2013). Sacramento 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 completed the plan to be re-designated to attainment for 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 a key strategy and essential to continuing to meet the PM_{2.5} standard. If U.S. Environmental Protection Agency approves the re-designation and we continue to attain the health standards, some federal permitting restrictions will no longer apply to local businesses.

The District, in cooperation with other local partners, completed a Bike Share Business Plan for the Sacramento region in October 2013. Bike share systems provide users point-to-point transportation for short distances. Bikes can be rented from a kiosk, ridden to another location, and returned to any other bike share kiosk in the network. We have applied for federal funding to form the necessary organization to work with cities, communities, transit agencies, and the business community to implement a system in the region by mid-2015. The District will provide on-going financial support for the system.

A major effort will continue with our local partners (cities, counties, SACOG) in responding to Climate Change as an issue, within the context of regulatory and legislative responsibilities and future changes that impact district operations. 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, 2012. 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 Division. These members have our sincere appreciation for the contribution made in the preparation of this report.

Recognition is also given to the Governing Board for their leadership and support and to all employees of the District who continue to 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sacramento Metropolitan
Air Quality Management District
California**

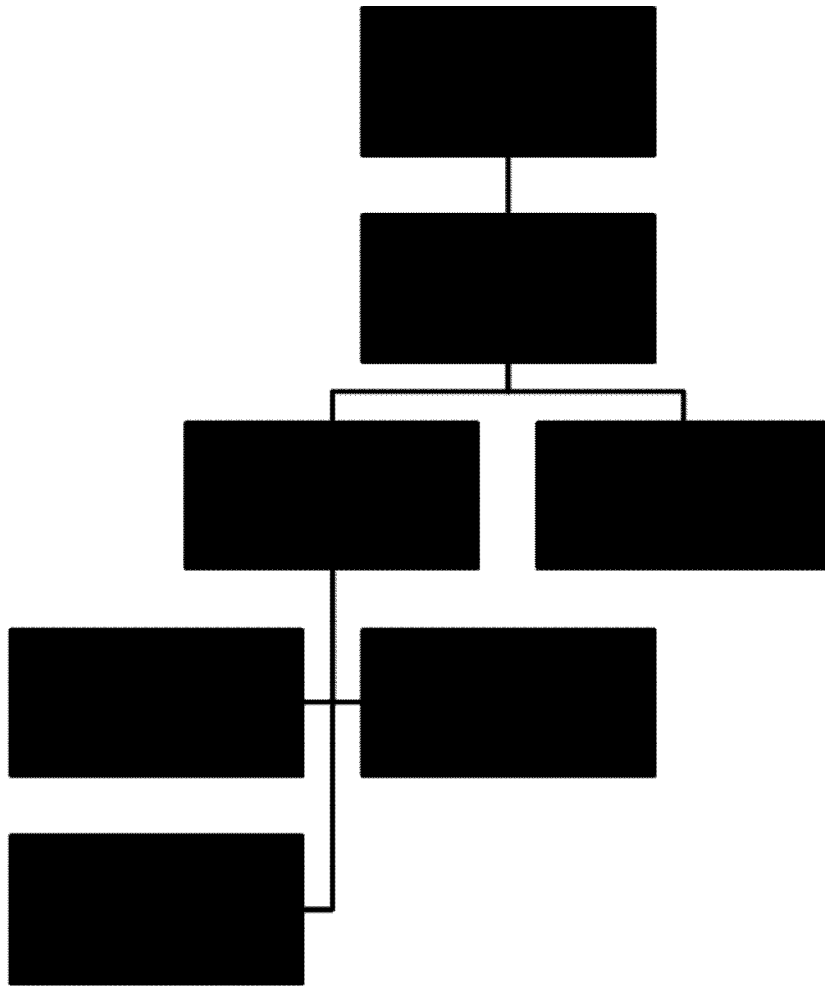
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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

ALLEN WARREN
CITY OF SACRAMENTO

STEVE HANSEN
CITY OF SACRAMENTO

MEL TURNER
CITY OF CITRUS HEIGHTS

JAMES COOPER
CITY OF ELK GROVE

JEFF STARSKY
CITY OF FOLSOM

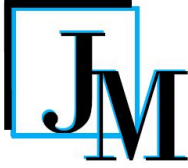
MARK CREWS
CITY OF GALT

DONALD TERRY
CITY OF RANCHO CORDOVA

EXECUTIVE DIRECTOR

LARRY GREENE

FINANCIAL SECTION



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Metropolitan Air Quality Management District as of June 30, 2013 and the changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

As further discussed in note 12 to the financial statements, GASB No. 65, *Item Previously Reported as Assets and Liabilities*, has required a change in accounting for bond issuance costs. The beginning net position was adjusted down by \$220,763 for this accounting change.

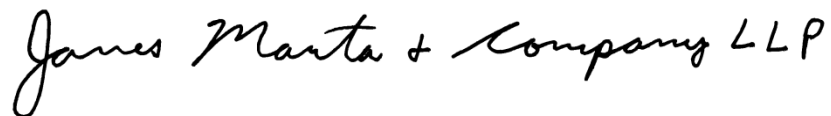
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on page 4-11, the Budget to Actual Comparisons (page 40-41), and the Schedule of Funding Progress for OPEB (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financials statements of the District. The accompanying "Schedule of Expenditures of Federal Awards" is presented for purposes of additional analysis as required by 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 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2014 on our consideration of Sacramento Metropolitan Air Quality Management District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

James Marta & Company LLP
Certified Public Accountants
January 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. 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 \$21,295,400 (*net position*).
- The District's total net position decreased by \$1,591,940. This decrease was due largely to the Emission Technology fund which decreased \$1,073,092. This was expected as a large number of incentive contracts were completed during the fiscal year. The net position decreased an additional \$220,763 from a change in accounting principle which caused the District to write off bond issuance costs.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$19,864,424 a decrease of \$1,892,573 over the prior year resulting from increased incentive contract activity in the emission technology fund.
- For the year ended June 30, 2013, the District did not incur any additional debt.

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 Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2013

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 12-13 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*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the 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 of the Governmental Fund Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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 14-17.

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 18-20 of this report.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 21-39 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 40-42.

C. Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$21,295,400 at the close of the most recent fiscal year. The schedule below presents a condensed Statement of Net Position as of June 30, 2013 compared with the prior fiscal year.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current and other assets	\$ 47,549	\$ 30,707	\$ 952	\$ 1,207	\$ 48,501	\$ 31,914
Capital Assets	508	654	5,248	4,879	5,756	5,533
Total Assets	<u>48,057</u>	<u>31,361</u>	<u>6,200</u>	<u>6,086</u>	<u>54,257</u>	<u>37,447</u>
Current liabilities	26,663	11,664	32	136	26,695	11,800
Non-current liabilities	22	25	4,432	4,261	4,454	4,286
Total Liabilities	<u>26,685</u>	<u>11,689</u>	<u>4,464</u>	<u>4,397</u>	<u>31,149</u>	<u>16,086</u>
Deferred inflow of resources	-	-	-	66	-	66
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	508	654	474	113	982	767
Restricted	13,434	19,864	424	416	13,858	20,280
Unrestricted	7,430	(846)	838	1,094	8,268	248
Total net position	<u>\$ 21,372</u>	<u>\$ 19,672</u>	<u>\$ 1,736</u>	<u>\$ 1,623</u>	<u>\$ 23,108</u>	<u>\$ 21,295</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

By far the largest portion of the District's net position (91%) represents resources that are subject to external restrictions on how they may be used. Restricted funds for stationary source activities and mobile source/air monitoring activities may be used for the district's ongoing operation and obligations to creditors in their respective activity. Approximately 4% of the District's net position reflects 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 position (5%) is unrestricted which may be used to meet the District's ongoing operations and obligations to creditors.

There was a decrease of \$361k in the Net Position Invested in Capital Assets, net of related debt for the business-type activities of which \$220,763 was a write off due to a change in accounting principle and the remainder is due to continuing depreciation of the office building and fixtures.

There was an increase of \$477k in the unrestricted net position for the business-type activities. This increase is due to mainly to the COP refunding which resulted in interest and principal savings.

The governmental fund balance decreased by \$1,892,573 during the current fiscal year; \$1,073,092 in the emission technology fund and \$819,481 in the general fund. The emission technology decrease is from completion of incentive contracts which may take up to 24 months to complete. Revenues in the general fund continue to be depressed from the economic downturn. For the 2013/2014 fiscal year the Board of Director approved a fee increase which will help to stabilize the general fund. In addition, the economy in the Sacramento area appears to be rebounding from the economic downturn.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Governmental Activities

The following schedule shows revenues by major source, expenses by function and changes in net Position for the fiscal years ended June 30, 2012 and June 30, 2013.

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

	<u>Governmental</u>		<u>Business –Type</u>		<u>TOTAL</u>	
	<u>Activities</u>		<u>Activities</u>			
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,171	\$ 6,393	\$ 885	\$ 749	\$ 7,056	\$ 7,142
Operating Grants and Contributions	35,234	26,971	-	-	35,234	26,971
General Revenues:	-	-	-	-	-	-
Grants subventions	6,216	6,141	-	-	6,216	6,141
Interest	204	64	175	10	379	74
Penalties/Settlements	712	447	-	-	712	447
Total Revenues	<u>48,537</u>	<u>40,016</u>	<u>1,060</u>	<u>759</u>	<u>49,597</u>	<u>40,775</u>
Expenses:						
Stationary Source activities	5,864	5,740	-	-	5,864	5,740
Mobile Source activities	34,715	28,385	-	-	34,715	28,385
Program Coordination activities	3,973	3,768	-	-	3,973	3,768
Strategic Planning activities	3,651	3,678	-	-	3,651	3,678
Building operations and obligations	-	-	793	651	793	651
Depreciation	125	145	166	-	291	145
Total Expenses	<u>48,328</u>	<u>41,716</u>	<u>959</u>	<u>651</u>	<u>49,287</u>	<u>42,367</u>
Increase (decrease) in Net Position	209	(1,700)	101	108	310	(1,592)
Net Position, Beginning as originally reported	21,163	21,372	1,635	1,736	22,798	23,108
Change in accounting principle	-	-	-	(221)	-	(221)
Net position, beginning - as restated	21,163	21,372	1,635	1,515	22,798	22,887
Net Position, Ending	<u>\$ 21,372</u>	<u>\$ 19,672</u>	<u>\$ 1,736</u>	<u>\$ 1,623</u>	<u>\$ 23,108</u>	<u>\$ 21,295</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Business-type activities

Business-type activities increased the District's net position by \$107,942. Key elements of this increase are as follows:

- Operating revenues from the building were \$748,642. There was a \$136,046 decrease from the prior year revenue due to decrease in tenant lease revenue. Expenses decreased \$191,202 over prior year mainly from a \$170,418 decrease in amortization expense. In FY12/13 \$220,763 of underwriting costs associated with refunding the 2002 COP's was written off from a change in accounting principle.
- No principle was paid in FY 12/13 since savings from the COP refunding were taken up front as a reduction on principle payments.

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 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.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$19,864,424 a decrease of \$1,892,573 from the prior year. Emission Technology fund contracts are maturing resulting in increased expenditures and General fund revenues are slow to recover from the economic downturn.

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 position of the proprietary fund at the end of the year was \$1,094,081. The total decrease in net position was \$107,942. In addition, the proprietary fund balance decreased \$220,763 due to a change in accounting principle. 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

For FY 2013, realized revenues were \$730,715 less than budgeted revenues, federal grant monies received were \$718,632 less than 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 \$2,228,449 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 and ongoing savings measures implemented by management.

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, 2013 amounts to \$5,116,939 (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 \$290,995.

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

The District did not issue any debt to purchase capital assets.

Additional information on capital assets can be found in the Notes to the Financial Statements on page 30.

Long-term Debt

At the end of the current fiscal year, the District had outstanding bonds secured by the District's office building. Total debt outstanding as of June 30, 2013 was \$4,350,000

Additional information on the District's long-term debt can be found in Note 6 to the Basic Financial Statements on pages 31 of this report.

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

In FY 2013-14, the general fund budget showed a decrease of \$35,310 compared to the FY 2012-13 budget. The District has kept operating costs in check since the economic downturn. Salaries and benefits increased \$474,513. The increase was caused by a 2% staff cola, increased retirement costs and increased health costs. Services and supplies decreased \$420,437 as contracted services were cut by \$255,103. The District Board approved a fee increase to stationary source permits, which should allow the District to replenish the stationary source fund balance.

Budgeted Emission technology revenues increased by \$753,453 in FY 2013-14. Expenditures decreased \$8,572,117 from the completion of incentive contracts related to the increased state

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

subventions and a decrease in outstanding incentive contracts. Most of these funds are provided through the state of California and are for incentive programs to reduce emissions from heavy-duty vehicles.

For the year ended June 30, 2013 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.

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 POSITION

JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 27,983,071	\$ 1,203,582	\$ 29,186,653
Receivables	2,695,876	2,064	2,697,940
Prepays	28,663	1,868	30,531
Total current assets:	<u>30,707,610</u>	<u>1,207,514</u>	<u>31,915,124</u>
Noncurrent assets:			
Deposits with others - certificates of participation reserves	-	416,252	416,252
Capital assets			
Land and other non-depreciable assets	-	1,086,652	1,086,652
Other capital assets - net of depreciation	653,680	3,376,607	4,030,287
Underwriting costs, net	-	-	-
Total noncurrent assets:	<u>653,680</u>	<u>4,879,511</u>	<u>5,533,191</u>
Total assets:	<u>31,361,290</u>	<u>6,087,025</u>	<u>37,448,315</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	1,160,343	35,825	1,196,168
Accrued wages and benefits payable	636,834	-	636,834
Unearned revenue	9,046,009	404	9,046,413
Compensated absences - due within one year	820,914	-	820,914
Certificates of participation - due within one year	-	100,000	100,000
Total current liabilities:	<u>11,664,100</u>	<u>136,229</u>	<u>11,800,329</u>
Noncurrent liabilities:			
Deposits from others	-	11,364	11,364
Compensated absences - due in more than one year	25,382	-	25,382
Certificates of participation - due in more than one year	-	4,250,000	4,250,000
Total noncurrent liabilities:	<u>25,382</u>	<u>4,261,364</u>	<u>4,286,746</u>
Total liabilities:	<u>11,689,482</u>	<u>4,397,593</u>	<u>16,087,075</u>
<u>Deferred Inflows of Resources</u>			
Deferred bond premium revenue	-	65,840	65,840
<u>Net Position</u>			
Investment in capital assets, net of related debt	653,680	113,259	766,939
Restricted			
Emission technology incentives	8,194,251	-	8,194,251
Land use mitigation	2,121,341	-	2,121,341
Mobile source/air monitoring	8,557,272	-	8,557,272
Stationary source	145,264	-	145,264
Debt service	-	416,252	416,252
Unrestricted	-	1,094,081	1,094,081
Total net position:	<u>\$ 19,671,808</u>	<u>\$ 1,623,592</u>	<u>\$ 21,295,400</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, 2013

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government:						
Governmental activities:						
Stationary source activities	\$ 5,739,977	\$ 5,431,158	\$ 401,685	\$ 92,866	\$ -	\$ 92,866
Mobile source activities	28,384,959	824,850	24,933,316	(2,626,793)	-	(2,626,793)
Program coordination activities	3,768,674	96,170	926,954	(2,745,550)	-	(2,745,550)
Strategic planning activities	3,677,908	40,839	794,100	(2,842,969)	-	(2,842,969)
Depreciation expense - unallocated	144,940	-	-	(144,940)	-	(144,940)
Total governmental activities	41,716,458	6,393,017	27,056,055	(8,267,386)	-	(8,267,386)
Business-type activities:						
Building operations and obligations	650,968	748,642	-	-	97,674	97,674
Total primary government	\$ 42,367,426	\$ 7,141,659	\$ 27,056,055	(8,267,386)	97,674	(8,169,712)
General revenues:						
Grants and subventions - not restricted to specific programs				6,056,461	-	6,056,461
Interest				64,380	10,268	74,648
Penalties/settlements				446,663	-	446,663
Total general revenue				6,567,504	10,268	6,577,772
Change in net position				(1,699,882)	107,942	(1,591,940)
Net position - beginning as originally reported				21,371,690	1,736,413	23,108,103
Change in accounting principle				-	(220,763)	(220,763)
Net position - as restated				21,371,690	1,515,650	22,887,340
Net position - ending balance				\$ 19,671,808	\$ 1,623,592	\$ 21,295,400

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Emission Technology</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and equivalents	\$ 10,442,879	\$ 17,540,192	\$ 27,983,071
Accounts receivable	2,199,703	496,173	2,695,876
Prepays	28,663	-	28,663
Total Assets	<u>\$ 12,671,245</u>	<u>\$ 18,036,365</u>	<u>\$ 30,707,610</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 364,238	\$ 796,105	\$ 1,160,343
Accrued wages and benefits payable	636,834	-	636,834
Unearned revenue	-	9,046,009	9,046,009
Total Liabilities	<u>1,001,072</u>	<u>9,842,114</u>	<u>10,843,186</u>
Fund Balance			
Restricted for:			
Emission technology incentives	-	8,194,251	8,194,251
Land use mitigation	2,121,341	-	2,121,341
Mobile source/air monitoring	8,980,420	-	8,980,420
Stationary source	568,412	-	568,412
Total Fund Balance	<u>11,670,173</u>	<u>8,194,251</u>	<u>19,864,424</u>
Total Liabilities and Fund Balance	<u>\$ 12,671,245</u>	<u>\$ 18,036,365</u>	<u>\$ 30,707,610</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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

JUNE 30, 2013

Fund balances - total governmental funds	\$	19,864,424
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Amounts reported for governmental activities in the Statement of Net Position 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 Position as capital assets of the District as a whole.		653,680
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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 Position.

Compensated absences		(846,296)
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Net position of governmental activities:	<u>\$</u>	<u>19,671,808</u>
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General fund	Emission Technology	Total Governmental Funds
Revenues:			
DMV surcharge	\$ 4,455,134	\$ 2,066,865	\$ 6,521,999
Sales/use tax	1,407,308	-	1,407,308
Permits and fees	6,015,064	-	6,015,064
Local government aid	695,922	-	695,922
State subvention	789,413	21,540,890	22,330,303
Federal grants	2,152,267	700,600	2,852,867
Interest	64,380	128,732	193,112
Total revenues	<u>15,579,488</u>	<u>24,437,087</u>	<u>40,016,575</u>
Expenditures:			
Stationary source activities	5,758,644	-	5,758,644
Mobile source activities	2,883,924	25,510,179	28,394,103
Program coordination activities	3,780,971	-	3,780,971
Strategic planning activities	3,684,435	-	3,684,435
Capital outlay	290,995	-	290,995
Total expenditures	<u>16,398,969</u>	<u>25,510,179</u>	<u>41,909,148</u>
Net change in fund balance	(819,481)	(1,073,092)	(1,892,573)
Fund balance, July 1, 2012	<u>12,489,654</u>	<u>9,267,343</u>	<u>21,756,997</u>
Fund balance, June 30, 2013	<u>\$ 11,670,173</u>	<u>\$ 8,194,251</u>	<u>\$ 19,864,424</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, 2013

Net change in fund balances - total governmental funds	\$ (1,892,573)
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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.	290,995
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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.	(144,940)
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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.	46,636
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Changes in net position of governmental activities:	<u>\$ (1,699,882)</u>
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET POSITION- PROPRIETARY FUND

JUNE 30, 2013

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,203,582
Receivables	2,064
Prepays	1,868
Total current assets:	<u>1,207,514</u>
Noncurrent assets:	
Restricted investments	416,252
Capital assets:	
Land and other non-depreciated assets	1,086,652
Other capital assets - net of depreciation	3,376,607
Total noncurrent assets:	<u>4,879,511</u>
Total assets:	<u>6,087,025</u>

LIABILITIES

Current liabilities:	
Accounts payable	35,825
Unearned revenue	404
Certificates of participation - due within one year	100,000
Total current liabilities:	<u>136,229</u>
Noncurrent liabilities:	
Deposits from others	11,364
Certificate of participation, due in more than one year	4,250,000
Total noncurrent liabilities:	<u>4,261,364</u>
Total liabilities:	<u>4,397,593</u>

DEFERRED INFLOWS OF RESOURCE

Deferred bond premium revenue	<u>65,840</u>
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NET POSITION

Invested in capital assets, net of related debt	113,259
Restricted for debt service	416,252
Unrestricted	1,094,081
Total net position:	<u>\$ 1,623,592</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 POSITION – PROPRIETARY FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Operating revenues:</u>	
Rental income	\$ 671,629
Parking income	77,013
Total operating revenues	<u>748,642</u>
<u>Operating expenses:</u>	
Repairs and maintenance costs	115,043
Utilities, security and communications	91,493
Management fees	34,583
Parking lot operations	95,408
Depreciation expense	164,247
Other expense	1,800
Total operating expenses	<u>502,574</u>
Operating income	<u>246,068</u>
<u>Nonoperating revenues and expenses:</u>	
Interest income	10,268
Interest expense	<u>(148,394)</u>
Net nonoperating revenues (expenses)	<u>(138,126)</u>
Changes in net position	107,942
Net position - beginning, as originally stated	1,736,413
Change in accounting principle	<u>(220,763)</u>
Net position - beginning, as restated	<u>1,515,650</u>
Total net position, June 30, 2013	<u>\$ 1,623,592</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Cash flows from operating activities:</u>	
Cash received from rental activities	\$ 759,829
Cash paid for goods and services	(333,733)
Net Cash provided by operating activities	<u>426,096</u>
<u>Cash flows from capital and related financing activities:</u>	
Interest paid on long-term debt	(148,394)
Net cash used for capital financing activities	<u>(148,394)</u>
<u>Cash flows from investing activities:</u>	
Increase (Decrease) in investments	(7,991)
Purchases of capital assets	(13,406)
Interest and dividends received	10,268
Net cash provided (used) by investing activities	<u>(11,129)</u>
Net increase (decrease) in cash and cash equivalents	266,573
Beginning cash and cash equivalents as of July 1, 2012	937,009
Ending cash and cash equivalents as of June 30, 2013	<u>\$ 1,203,582</u>
<u>Reconciliation of operating income to net cash provided (used)</u>	
<u>by operating activities:</u>	
Operating income	\$ 246,068
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	164,247
Effects of changes in :	
Accounts receivable	10,958
Accounts payable	4,473
Deferred revenue	229
Prepays	121
Net cash provided by operating activities	<u>\$ 426,096</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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

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

B. REPORTING ENTITY

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996 the Sacramento Metropolitan Air Quality Management District (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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, represented by activity type (e.g. governmental, business).

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

The government-wide statement of net position records all of the District's assets and liabilities including capital assets 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, 2013

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 Emission Technology 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 position. The statement of revenues, expenditures, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from 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, 2013

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. Unearned revenues are recognized when resources are received or recognized as receivable before the time requirements are met. District imposed non-exchange transactions are the DMV surcharge, planning service charges, Stationary Source Permit fees and renewals, Land Use Mitigation Permits, SEED program fees, Title V Permits, Agricultural Burning Fees, Asbestos Plan Check Fees, State Toxic Emission Fees, Variances, and Settlements.

Government-mandated 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. Unearned revenues are recognized when the recipient is required to use the resources in the following year thus resources provided before that period should be recognized as deferred. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement emission Reduction (GMERP), Lower Emission School Bus Program (LESBP), Measure A Sales Tax ½%, Environmental Protection Agency Section 103 and 105 grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air) and various agreements with Yolo/Solano Counties, El Dorado County and Placer County.

Expenses/expenditures

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

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

E. FUND ACCOUNTING

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

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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. Revenues include \$2 DMV surcharge, state subvention and federal grants.

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

F. BUDGETS AND BUDGETARY ACCOUNTING

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

On or before the last day in February of each year, all divisions of the District submit budget packages to the administrative services manager so that a budget may be prepared. At the May Board of Directors' meeting, the proposed budget is presented to the Board for review. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings and a final budget 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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

I. COMPENSATED ABSENCES

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

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

J. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting And Governmental Fund type Definitions*", the District is required to report fund balances in the following categories: 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 only for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications.

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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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. UNEARNED 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 unearned has been received but is unearned at June 30, 2013. The makeup of unearned revenue is:

<u>Program</u>	<u>Governmental Fund</u>	<u>Proprietary Funds</u>
Moyer	\$ 6,289,860	\$ -
GEMERP	2,749,252	-
LESBP	6,897	-
Miscellaneous	-	404
Total	<u>\$ 9,046,009</u>	<u>\$ 404</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, 2013

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2013 consist of the following:

	Governmental Accounts	Proprietary Accounts	Total
Deposits:			
Balance Per Bank	\$ 600,906	\$ -	\$ 600,906
Pooled Funds:			
Cash in County Treasury	29,510,014	1,026,083	30,536,097
Less: Outstanding Checks	(2,127,849)	-	(2,127,849)
Cash and Investments with fiscal agent	-	593,751	593,751
Total Cash and Investments	27,983,071	1,619,834	29,602,905
Noncurrent reserves	-	(416,252)	(416,252)
Total Cash and Equivalents	\$ 27,983,071	\$ 1,203,582	\$ 29,186,653

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 0.43%. 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, 2013

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, 2013, Treasury’s investments are in accordance with the District’s investment policy. The Treasury’s investment has an average days-to-maturity of 301 days and yields 0.415% as of June 30, 2013.

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	180 days/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, 2013

3. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

Investments of debt proceeds held by bond trustee, Certificate of Participation (COP) Reserve in the amount of \$416,252 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, 2013

Government Fund:

Interest	\$ 75,246
DMV Surcharge	1,153,106
EPA and CMAQ Grants	1,261,625
Mutual Settlement/Fines	121,503
Permits and fees	53,997
Local Government Aid	20,000
Miscellaneous	10,399
Total receivables	<u>\$ 2,695,876</u>

Proprietary Fund:

Miscellaneous	<u>\$ 2,064</u>
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Balance June 30, 2013</u>
Government Activities			
Capital assets, being depreciated:			
Equipment	\$ 2,170,271	\$ 290,995	\$ 2,461,266
Less: accumulated depreciation	<u>(1,662,646)</u>	<u>(144,940)</u>	<u>(1,807,586)</u>
Total capital assets, being depreciated, net	<u>\$ 507,625</u>	<u>\$ 146,055</u>	<u>\$ 653,680</u>
 Business-type Activities			
Capital assets, not being depreciated:			
Land	\$ <u>1,086,652</u>	\$ <u>-</u>	\$ <u>1,086,652</u>
Total capital assets not being depreciated:	<u>1,086,652</u>	<u>-</u>	<u>1,086,652</u>
 Capital assets, being depreciated:			
Building	4,818,673	24,481	4,843,154
Less: accumulated depreciation	<u>(1,302,300)</u>	<u>(164,247)</u>	<u>(1,466,547)</u>
Total capital assets, being depreciated:	<u>3,516,373</u>	<u>(139,766)</u>	<u>3,376,607</u>
 Business-type Activities capital assets, net	 <u>\$ 4,603,025</u>	 <u>\$ (139,766)</u>	 <u>\$ 4,463,259</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

6. 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, 2013, 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
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	295,000	112,844	407,844
2019-2023	1,620,000	425,259	2,045,259
2024-2026	1,505,000	123,100	1,628,100
Sub total	<u>4,350,000</u>	<u>1,200,191</u>	<u>5,550,191</u>
Unamortized Premium	65,840	-	65,840
Totals	<u>\$ 4,415,840</u>	<u>\$ 1,200,191</u>	<u>\$ 5,616,031</u>

Total interest expense for the COPs in the fiscal year ended June 30, 2013 was \$148,394. There was no principal payment due for the COPs in the fiscal year ended June 30, 2013.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Certification of Participation	<u>\$ 4,350,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,350,000</u>
Compensated Absences	<u>\$ 841,149</u>	<u>\$ 846,298</u>	<u>\$ 841,151</u>	<u>\$ 846,296</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

7. 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, 2013, 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 7). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

8. 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 the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

Condensed audited financial information of SDRMA for the year ended June 30, 2013 is as follows:

Total Assets	\$	<u>37,448,315</u>
Total Liabilities	\$	16,152,918
Net Position	\$	<u>21,295,397</u>
Total Liabilities and Net Position	\$	<u>37,448,315</u>
Total Revenues	\$	40,775,483
Total Expenses	\$	<u>(42,367,426)</u>
Net Income (Loss)	\$	<u>(1,591,943)</u>

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

9. 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.

10. 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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. For staff hired after December 31, 2012 the benefit factor is 2% at 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.

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, 2013 was 11.265%. 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, 2013 the District's annual pension cost was \$999,717 and the District actually contributed \$999,717. The required contribution for the year ended June 30, 2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal cost method with the contributions determined as a level percent of payroll.

Three-Year Trend Information for The District

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 857,568	100%	\$ 0
6/30/2012	952,391	100%	0
6/30/2013	999,717	100%	0

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

A. Actuarial methods and assumptions.

The ARC for the plan was determined as part of the July 1, 2012 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Entry normal age
Amortization method	Level percent of payroll
Average remaining period	19 years
Inflation rate	2.75%
Asset valuations method	15-year smoothed market
Investment return	7.50%
Projected salary increases	3.30% to 14.20%, depending on age, service and type of employment
Cost of living adjustments	2.75%

11. 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) \$115 in calendar year 2013. 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 8 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, 2013 the District funded \$59,360 into the CERBT. The current ARC rate is 0.662% of annual covered payroll.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

C. ANNUAL OPEB COST

For the year ended June 30, 2013, the District's OPEB cost (expense) was \$59,360 which included the ARC and the Net OPEB Obligation at the beginning of the year.

Year Ended June 30, 2013	
Annual OPEB Cost	\$ 59,360
Contributions Made	<u>59,360</u>
Increase (Decrease) in net OPEB Obligation	-
Net OPEB Obligation (Asset) - Beginning	<u>-</u>
Net OPEB Obligation (Asset) - Ending	<u><u>\$ -</u></u>

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, 2013 and the two preceding fiscal years were as follows:

Fiscal Year	<u>Three-Year trend Information</u>		
	<u>Annual OPEB</u>		
	Annual OPEB Cost	Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 39,765	100.00%	\$ -
6/30/2012	\$ 57,491	100.00%	\$ -
6/30/2013	\$ 59,360	100.00%	\$ -

A. Funded status and funding progress.

As of June 30, 2013, the most recent actuarial valuation date (the initial actuarial valuation for the plan), the funded status of the plan was follows:

Actuarial accrued liability (AAL)	\$ 1,097,022
Actuarial value of plan assets	<u>1,039,114</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 57,908</u></u>
Funded ratio (actuarial value of plan assets/AAL)	94.72%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 8,685,414
UAAL as a percentage of covered payroll	0.67%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents, multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

B. Actuarial methods and assumptions.

The ARC for the plan was determined as part of the June 30, 2011 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Entry normal age
Amortization method	Level percent of payroll
Remaining remaining period	30 years
Inflation rate	3.00%
Asset valuations method	15-year smoothed market
Investment return	6.39%
Projected salary increases	3.25%
Cost of living adjustments	3.00%
Healthcare cost trend rate	4.50%

12. 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, 2013

13. CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2013, the District implemented the following GASB Statements:

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position."

Issued in June 2011, this statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement is effective beginning fiscal year 2013.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."

Issued in March 2012, the statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective beginning fiscal year 2014.

In accordance with GASB 63, the district had deferred inflows of \$65,840 as of June 30, 2013.

As of December 15, 2012, according to GASB 65, all bonds costs must now be fully expensed. Therefore, previous unamortized bond costs from the 2012 Refunding bonds, as June 30, 2013 in the amount of \$220,763 have been expensed as indicated on the Statement of Activities (page 13) as a separate line item.

14. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2013 through January 16, 2014, 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, 2013

Revenues:	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
DMV surcharge	\$ 4,305,000	\$ 4,305,000	\$ 4,455,134	\$ 150,134
Sales/use tax	1,441,010	1,441,010	1,407,308	(33,702)
Permits and fees	6,235,285	6,235,285	6,015,064	(220,221)
Local government aid	36,300	36,300	695,922	659,622
State Subvention	936,309	936,309	789,413	(146,896)
Federal grants	3,306,299	3,306,299	2,152,267	(1,154,032)
Interest	50,000	50,000	64,380	14,380
Total revenues	<u>16,310,203</u>	<u>16,310,203</u>	<u>15,579,488</u>	<u>(730,715)</u>
Salaries and benefits	11,997,789	11,997,789	11,817,905	(179,884)
Services and supplies	6,232,631	6,232,631	4,290,069	(1,942,562)
Capital expenditures	397,000	397,000	290,995	(106,005)
Total expenditures	<u>18,627,420</u>	<u>18,627,420</u>	<u>16,398,969</u>	<u>(2,228,451)</u>
Excess (deficiency) of revenues over(under) expenditures	<u>\$ (2,317,217)</u>	<u>\$ (2,317,217)</u>	<u>\$ (819,481)</u>	<u>\$ 1,497,736</u>

Annual budgets, as required by state statutes, 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, 2013

Revenues:	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
DMV surcharge	\$ 1,900,000	\$ 1,900,000	\$ 2,066,865	\$ 166,865
State Subvention	10,338,795	10,338,795	21,540,890	11,202,095
Federal grants	1,480,637	1,480,637	700,600	(780,037)
Interest	128,561	128,561	128,732	171
Total revenues	<u>13,847,993</u>	<u>13,847,993</u>	<u>24,437,087</u>	<u>10,589,094</u>
Expenditures:				
Services and supplies	17,414,585	17,414,585	25,510,179	8,095,594
Incentive program reserve	22,413,519	22,413,519	-	(22,413,519)
Total expenditures	<u>39,828,104</u>	<u>39,828,104</u>	<u>25,510,179</u>	<u>(14,317,925)</u>
Excess (deficiency) of revenues over(under) expenditures	<u>\$ (25,980,111)</u>	<u>\$ (25,980,111)</u>	<u>\$ (1,073,092)</u>	<u>\$ 24,907,019</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, 2013

Actuarial Valuation Date	Actuarial Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
6/30/2009	\$ 626,637	\$ 712,866	\$ (86,229)	113.8%	\$ 8,668,885	-1.0%
6/30/2011	\$ 1,039,114	\$ 1,097,022	\$ (57,908)	105.6%	\$ 8,685,414	-0.7%
6/30/2013	\$ 1,180,932	\$ 1,247,158	\$ (66,226)	105.6%	\$ 9,294,000	-0.7%

SUPPLEMENTARY INFORMATION SECTION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Grant #</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<u>U.S Environmental Protection Agency</u>			
Air Pollution Control Supply	* A 00903112	66.001	\$ 307,818
	* A 00903113	66.001	861,894
Surveys, Studies, Investigations, etc	PM 98950701	66.034	35,572
Sierra N. Railway Repower - Targeted Air Shed	EM 83493001	66.202	427,724
National Clean Diesel	DE 96085501	66.039	138,000
CAA - Special Purpose Activities - Nitrogen Dioxide Near Roadway Monitoring	XA 00T81301	66.034	131,231
National Clean Diesel Program - Repowered Union Pacific Line Haul Locomotive to Cleaner Standards	DE 00T95901	66.039	1,792
National Clean Diesel - Agricultural Water Irrigation Pump Voucher Program	DE 00T75401	66.039	<u>154,736</u>
			<u>2,058,767</u>
<u>U.S Highway Planning and Construction</u>			
Passed through the California Department of Transportation Highway Planning and Construction			
Highway Planning and Construction Spare the Air Year 6	CML - 6236	20.205	<u>794,100</u>
			<u>\$ 2,852,867</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>	45
<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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Investment in capital assets, net of related debt	\$ 442,652	\$ 540,968	\$ 522,329	\$ 535,979	\$ 624,503	\$ 594,518	\$ 447,263	\$ 327,593	\$ 507,625	\$ 653,680
Restricted	7,230,914	8,739,934	10,118,952	17,846,829	18,471,262	16,840,972	20,451,561	20,834,838	20,864,065	19,018,128
Unrestricted	1,345,006	4,246,705	4,627,737	3,422,783	3,150,700	1,142,535	946,120			-
Total governmental activities net position	\$ 9,018,572	\$ 13,527,607	\$ 15,269,018	\$ 21,805,591	\$ 22,246,465	\$ 18,578,025	\$ 21,844,944	\$ 21,162,431	\$ 21,371,690	\$ 19,671,808
Business-type Activities										
Investment in capital assets, net of related debt	\$ 87,828	\$ 173,753	\$ 230,782	\$ 313,325	\$ 335,681	\$ 85,216	\$ 142,689	\$ 438,929	\$ 403,041	\$ 113,259
Restricted	-	-	-	-	-	431,776	427,031	433,754	424,243	416,252
Unrestricted	2,344	(4,485)	107,212	287,763	323,454	802,936	990,954	762,937	688,366	1,094,081
Total business-type activities net position	\$ 90,172	\$ 169,268	\$ 337,994	\$ 601,088	\$ 659,135	\$ 1,319,928	\$ 1,560,674	\$ 1,635,620	\$ 1,515,650	\$ 1,623,592
Primary government										
Investment in capital assets, net of related debt	\$ 530,480	\$ 714,721	\$ 753,111	\$ 849,304	\$ 960,184	\$ 679,734	\$ 589,952	\$ 766,522	\$ 910,666	\$ 766,939
Restricted	7,230,914	8,739,934	10,118,952	17,846,829	18,471,262	17,272,748	20,878,592	21,268,592	21,288,308	19,434,380
Assigned	-	-	-	-	-	-	-	2,986,527	-	-
Unrestricted	1,347,350	4,242,220	4,734,949	3,710,546	3,474,154	1,945,471	1,937,074	762,937	688,366	1,094,081
Total primary government net position	\$ 9,108,744	\$ 13,696,875	\$ 15,607,012	\$ 22,406,679	\$ 22,905,600	\$ 19,897,953	\$ 23,405,618	\$ 25,784,578	\$ 22,887,340	\$ 21,295,400

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
Stationary source activities	\$ 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	\$ 5,739,977
Mobile source activities	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	28,384,959
Program coordination activities	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	3,768,674
Strategic planning activities	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	3,677,908
Depreciation expense-unallocated	69,606	80,979	103,278	112,904	138,142	149,067	165,753	140,459	125,386	144,940
Total governmental activities	\$ 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	\$ 41,716,458
Business-type activities										
Building operations and obligations	\$ 670,663	\$ 692,099	\$ 699,799	\$ 740,111	\$ 811,392	\$ 779,943	\$ 739,766	\$ 760,079	\$ 959,018	\$ 650,968
Total primary government expenses	\$ 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	\$ 42,367,426
Program Revenues										
Governmental Activities										
Charges for services										
Stationary source activities	\$ 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	5,431,158
Mobile source activities	2,021	-	5,046,606	-	-	-	561,345	532,447	703,135	824,850
Program coordination activities	108,951	204,833	612,827	(111,894)	41,879	136,336	136,552	84,794	84,408	96,170
Strategic planning activities	-	-	-	-	-	-	40,207	567,305	470,716	40,839
Operating grants and contributions										
Stationary source activities	2,227,170	1,926,643	735,527	1,365,145	298,000	3,875,126	764,839	336,324	519,136	401,685
Mobile source activities	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	24,933,316
Program coordination activities	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	926,954
Strategic planning activities	511,281	442,290	204,377	379,326	554,018	964,812	969,308	607,520	625,227	794,100
Total governmental activities	\$ 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	\$ 33,449,072
Business-type activities										
Building operations and obligations	\$ 476,329	\$ 481,608	\$ 840,666	\$ 974,720	\$ 837,381	\$ 943,695	\$ 948,942	\$ 807,106	\$ 884,688	\$ 748,642
Total primary government program revenues	\$ 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	\$ 34,197,714
Net (Expense) Revenue										
Governmental activities	\$ (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)	\$ (8,267,386)
Business-type activities	(194,334)	(210,491)	140,867	234,609	25,989	163,752	209,176	47,027	(74,330)	97,674
Total primary government net (expenses) revenue	\$ (4,910,280)	\$ (1,521,757)	\$ (5,455,945)	\$ (1,401,536)	\$ (8,159,309)	\$ (6,978,582)	\$ (3,178,476)	\$ (7,092,174)	\$ (6,997,892)	\$ (8,169,712)
General revenues										
Governmental activities										
Grants and subventions	\$ 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	6,056,461
Interest	65,123	183,162	524,224	991,786	1,086,702	515,419	268,262	230,368	204,424	64,380
Penalties/Settlements	410,394	516,945	911,166	1,090,612	654,822	977,533	701,876	529,674	712,315	446,663
Other revenue	-	-	-	-	-	-	-	-	-	-
Merchandise sales	-	-	-	-	-	-	-	-	-	-
Transfers	(224,536)	(266,328)	-	-	-	(456,966)	-	-	-	-
Total governmental activities	\$ 5,659,498	\$ 5,820,301	\$ 7,338,223	\$ 8,172,718	\$ 8,626,172	\$ 9,360,274	\$ 6,654,571	\$ 6,456,688	\$ 7,132,821	\$ 6,567,504
Business-type activities										
Interest	\$ 25,584	\$ 23,259	\$ 27,859	\$ 28,485	\$ 32,058	\$ 40,075	\$ 31,570	\$ 27,919	\$ 175,123	10,268
Transfers	224,536	266,328	-	-	-	456,966	-	-	-	-
Total business-type activities	250,120	289,587	27,859	28,485	32,058	497,041	31,570	27,919	175,123	10,268
Total Primary government revenue	\$ 5,909,618	\$ 6,109,888	\$ 7,366,082	\$ 8,201,203	\$ 8,658,230	\$ 9,857,315	\$ 6,686,141	\$ 6,484,607	\$ 7,307,944	\$ 6,577,772
Change in net assets										
Governmental activities	\$ 943,552	\$ 4,509,035	\$ 1,741,411	\$ 6,536,573	\$ 440,874	\$ 2,217,940	\$ 3,266,919	\$ (682,513)	\$ 209,259	\$ (1,699,882)
Business-type activities	55,786	79,096	168,726	263,094	58,047	660,793	240,746	74,946	100,793	107,942
Total Primary government	\$ 999,338	\$ 4,588,131	\$ 1,910,137	\$ 6,799,667	\$ 498,921	\$ 2,878,733	\$ 3,507,665	\$ (607,567)	\$ 310,052	\$ (1,591,940)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Restricted	\$ 7,230,914	\$ 9,179,982	\$ 10,118,952	\$ 13,558,198	\$ 16,637,844	\$ 10,109,530	\$ 2,858,052	\$ 12,464,452	\$ 12,489,654	\$ 11,670,173
Assigned	-	-	-	-	-	-	2,407,273	-	-	-
Unrestricted	1,756,185	4,246,705	5,144,677	8,295,221	5,751,365	8,666,336	7,906,636	-	-	-
Total General Fund	<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>\$ 12,464,452</u>	<u>\$ 12,489,654</u>	<u>\$ 11,670,173</u>
Emission Technology Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,064,562	\$ 9,211,835	\$ 9,267,343	\$ 8,194,251
Total Emission Technology fund	<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>	<u>\$ 8,194,251</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Taxes	\$ 5,405,872	\$ 5,386,318	\$ 8,005,095	\$ 8,272,593	\$ 9,069,286	\$ 9,471,327	\$ 8,025,308	\$ 7,451,650	\$ 8,071,327	\$ 7,929,307
Intergovernmental	5,178,655	4,814,156	4,554,831	14,617,951	7,754,619	13,564,665	16,058,522	11,162,826	34,081,710	25,879,092
Licenses/Permits	3,998,973	5,364,569	5,903,839	6,786,546	6,405,970	8,371,169	6,705,683	6,479,071	6,180,051	6,015,064
Use of Money/Property	65,123	183,162	524,224	991,786	1,086,702	515,419	268,262	230,368	204,424	193,112
	<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>31,057,775</u>	<u>25,323,915</u>	<u>48,537,512</u>	<u>40,016,575</u>
EXPENDITURES										
Current:										
Stationary Sources	3,793,299	3,219,231	4,673,680	5,065,949	5,122,449	8,944,106	6,114,436	5,822,646	5,843,577	5,758,644
Mobile Source	4,632,699	3,011,824	6,882,379	11,432,875	11,261,327	11,647,191	13,088,034	12,207,527	34,704,891	28,394,103
Program coordination	3,018,648	2,592,506	2,924,503	3,867,636	3,474,737	4,575,926	4,334,342	4,285,664	3,959,488	3,780,971
Strategic Planning	1,951,917	2,039,431	2,585,849	3,586,072	3,695,608	3,906,272	4,041,810	3,547,825	3,643,128	3,684,435
Capital Outlay	74,200	179,297	84,638	126,554	226,666	119,082	18,498	20,789	305,418	290,995
Total Expenditures	<u>13,470,763</u>	<u>11,042,289</u>	<u>17,151,049</u>	<u>24,079,086</u>	<u>23,780,787</u>	<u>29,192,577</u>	<u>27,597,120</u>	<u>25,884,451</u>	<u>48,456,502</u>	<u>41,909,148</u>
Excess (Deficiency) of Revenue over Expenditures	1,177,860	4,705,916	1,836,940	6,589,790	535,790	2,730,003	3,460,655	(560,536)	81,010	(1,892,573)
OTHER FINANCING SOURCES (USES)										
Transfer Out	<u>224,536</u>	<u>266,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ 953,324	\$ 4,439,588	\$ 1,836,940	\$ 6,589,790	\$ 535,790	\$ 2,273,037	\$ 3,460,655	\$ (560,536)	\$ 81,010	\$ (1,892,573)

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		Interfund Charges	Contingency	Total
			Assets				
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
12-13	\$ 11,997,789	\$ 45,380,946	\$ 332,335		\$ 679,789	\$ -	\$ 58,390,859

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
12-13	\$ 11,817,905	\$ 29,127,149	\$ -	\$ 673,100	\$ 290,995	\$ 41,909,149

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
12-13	\$ 7,929,307	\$ 25,879,092	\$ 6,015,064	\$ 193,112	\$ -	\$ -	\$ 40,016,575

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***
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
2013	4,269	\$	4,700,969

Source:

** Sacramento Metropolitan Air Quality Management District
Stationary Source Data Base

*** Actual revenue from the Compass Accounting System

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
2004	1,345,208	\$ 43,462,957	\$ 32,274	5.90%
2005	1,368,192	\$ 45,616,720	\$ 33,593	5.10%
2006	1,387,771	\$ 48,115,289	\$ 35,179	4.90%
2007	1,406,804	\$ 50,157,252	\$ 36,340	5.40%
2008	1,424,415	\$ 54,079,000	\$ 39,187	6.90%
2009	1,433,187	\$ 52,377,000	\$ 38,231	12.00%
2010	1,445,327	\$ 53,612,730	\$ 37,700	12.70%
2011	1,436,105	\$ 54,861,602	\$ 38,202	12.60%
2012	1,433,525	(1)	(1)	10.90%
2013	1,445,806	(1)	(1)	8.70%

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) Not yet available

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

Year	Vehicles Registered (As of December 31)
2004	1,187,166
2005	1,181,625
2006	1,174,309
2007	1,165,993
2008	1,157,002
2009	1,159,910
2010	1,157,341
2011	1,141,979
2012	1,142,212
2013	(1)

Source: Department of Motor Vehicles
 Estimated Fee-Paid Registrations by County

(1) Not yet available

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

Employer	2013			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	618,300	1	73%	622,700	1	74%
State Government	118,900	2	14%	105,400	3	12%
Local Government	99,000	3	12%	105,900	2	13%
Federal Government	13,500	4	2%	13,000	4	2%
Total All Industries	<u>849,700</u>		<u>100%</u>	<u>847,000</u>		<u>100%</u>

Source: Employment Development Department
 Labor Market Information Division

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:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Accountant I/II	-	1	1	1	1	1	1	1	-	-
Administrative Assistant I/II	1	1	2	2	2	2	2	2	2	2
Administrative/Legal Analyst	-	-	-	-	1	1	1	-	-	-
Air Pollution Control Officer/Executive Director	1	1	1	1	1	1	1	1	1	1
Asst/Assoc Air Quality Engineer	14	15	17	19	21.5	21.5	21.5	21.5	20.5	19.5
Air Quality Instrument Specialist I/II	3	3	3	3	3	3	3	3	3.0	3.0
Asst/Assoc Air Quality Planner/Analyst	10	10	11	10.5	10.5	11	12	11	10	10
Asst/Assoc Air Quality Specialist (reclass 2006 to Air Quality)	17	17	16.5	19	22.5	21.5	20.6	18.6	18.6	18.6
Asst/Assoc Communications/Marketing Specialist	1.6	1.85	1.85	1.85	2.85	2.85	2.85	1.85	1.85	1.85
Clerical Services Supervisor	1	1	1	1	1	1	1	1	1	1
District Accountant/Controller	1	1	1	1	1	1	1	1	1	1
District Counsel	1	1	1	1	1	1	1	1	1	1
District Counsel Legal Assistant	1	1	1	1	1	1	1	1	1	1
Division Manager	5	5	5	5	4	4	4	4	3	3
Executive Assistant/Clerk to the Board	1	1	1	1	1	1	1	1	1	1
Financial Analyst	-	-	-	-	-	-	-	-	1	1
Fiscal Assistant I/II	1	1	1	1	1	1	1	1	1	1
Human Resources Officer	1	1	1	1	1	1	1	1	1	1
Information Systems Analyst/ Information Systems Administrator	1	1	1	1	1	1	1	1	1	1
Assistant Information Systems Analyst/Information Systems Analyst	1	1	1	1	2	2	2	2	2	2
Office Assistant I/II	3	3	2	3	3	3	3	3	2	2
Personnel Assistant I/II/Human Resource Assistant II	1	1	2	2	2	2	2	2	2	2
Program Coordinator	10	12	12	13	13	13	13	13	12	12
Program Supervisor	3	3	4	4	5	5	5	5	5	5
Secretary	1	-	-	-	-	-	-	-	-	-
Senior Accountant	-	1	1	1	1	1	1	1	1	1
Senior Communications & Marketing Specialist	1	1	-	-	-	-	-	-	-	-
Statistician	1	1	1	1	1	1	1	1	1	1
Total Funded Positions	81.6	85.85	89.35	95.35	104.35	103.85	103.95	98.95	93.95	92.95
Note: Funded Positions may vary from budget due to changes in staffing during the fiscal year										
Positions Unfunded										
Administrative/Legal Analyst	-	-	-	-	-	-	-	1	1	1
Air Quality Engineer (LT)	-	-	1	1	-	-	-	-	-	-
Air Quality Planner/Analyst	-	-	-	-	-	-	-	-	1	1
Air Quality Specialist	-	-	-	-	-	-	-	2	2	2
Air Quality Specialist (LT)	-	-	1	1	-	-	1	-	-	-
Asst/Assoc. Air Quality Engineer	-	-	-	-	-	-	-	-	1	2
Asst/Assoc. Communications/Marketing Specialist	1	-	-	-	-	-	-	-	-	-
Division Manager	-	-	-	-	-	-	-	-	1	1
Office Assistant I/II	-	-	-	-	-	-	-	-	1	1
Program Coordinator	-	-	-	-	-	-	-	-	1	1
Total Positions Unfunded	1	-	2	2	-	-	1	3	8	9
Total Funded + Unfunded	82.60	85.85	91.35	97.35	104.35	103.85	104.95	101.95	101.95	101.95

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)
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)
2013	\$4,350,000	\$ 15,815	\$ 4,365,815	(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 Six Fiscal Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Air Quality						
Number of air monitoring stations	9	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	76
Vehicles	0	0	0	0	0	23